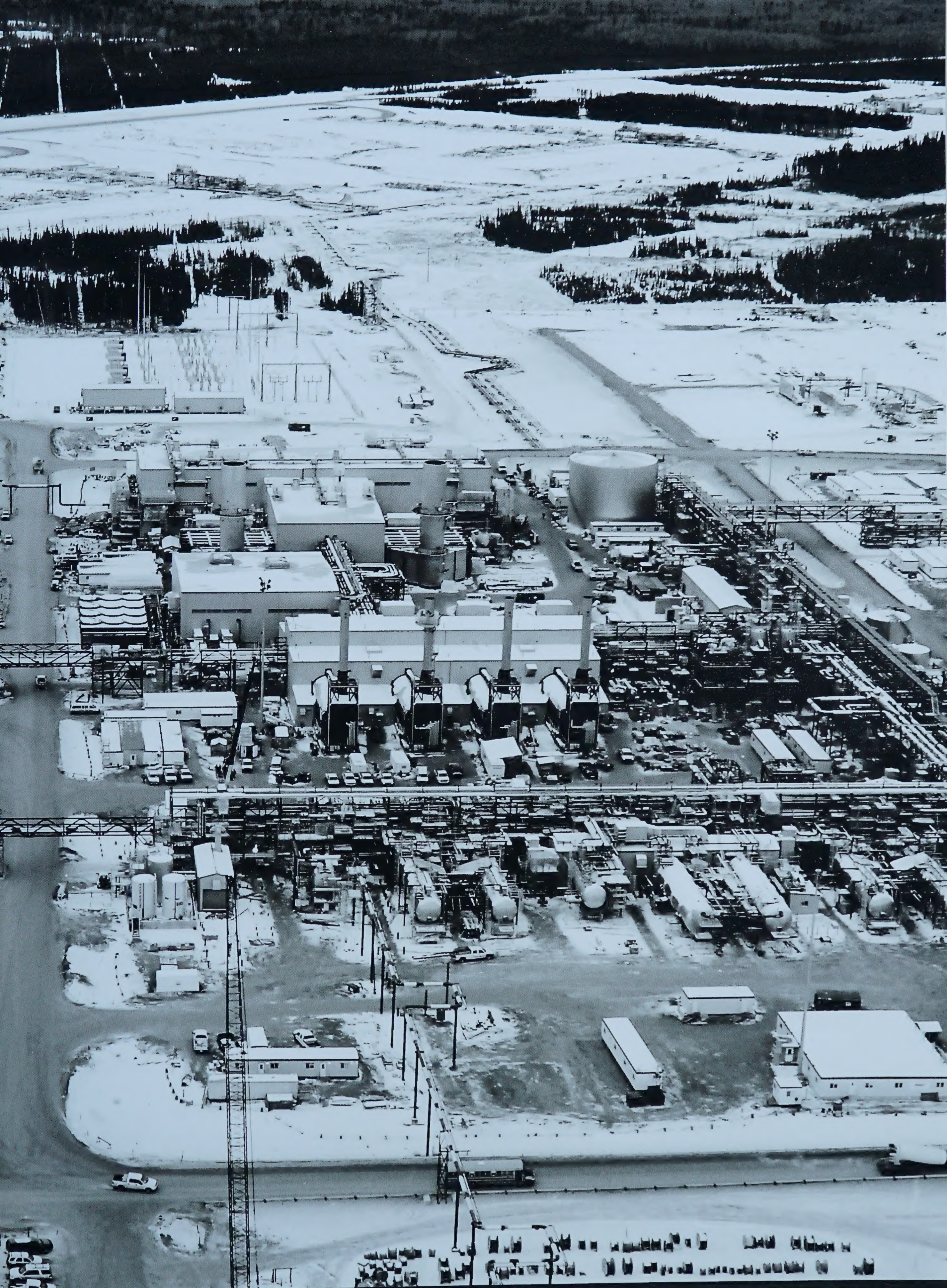
OPTI CANADA INC. – 2006 Annual Report

OPTI
CANADA INC.

DELIVERING

our oil sands advantage



An integrated team of energetic, enthusiastic, dedicated people is delivering the Long Lake Project – Canada's fourth and next major integrated oil sands project – that is moving closer to completion every day. → Major construction milestones have been met. Operations planning and commissioning are underway. People are in place. → In 2007, steam injection will heat the reservoir through Long Lake's 81 steam-assisted gravity drainage (SAGD) well pairs while the OPTI Upgrader moves toward completion. → OPTI's first priority is the successful start-up of Long Lake Phase 1. The Project is expected to produce 72,000 barrels per day of bitumen, yielding 58,500 barrels per day of one of the highest quality synthetic crudes to come from the Athabasca Oil Sands, with low operating costs. → Work also continues on delivering future phases that will drive OPTI's growth and position the Company to become a major Canadian oil sands producer.

OPTI's strategic approach to oil sands development offers a series of unique value-driving advantages. →

Delivering Our Oil Sands Advantage

Canada's fourth integrated oil sands project

→ The Long Lake Project (the Project) is Canada's next major oil sands project to come on-stream, with production of our first synthetic crude oil anticipated by the end of 2007. The Project is anticipated to operate for 40 years, without the exploration risk or declines associated with conventional reserves.

Next-generation oil sands solution

→ OPTI is applying an integrated upgrading solution to unlock the energy value contained within these massive deposits. An upgrader based on our proprietary OrCrude™ process, when combined with commercially available hydrocracking and gasification technologies, delivers a high-value, premium synthetic crude oil. It also substantially reduces the use of natural gas, which is the largest and most variable operating cost component facing in-situ oil sands developers. This combination of a high quality product and low operating costs is expected to result in best-in-class netbacks.

Expansive resource base

→ More than 3 billion barrels of recoverable bitumen are estimated to be located within OPTI's three oil sands leases: Long Lake, Cottonwood and Leismer. Situated in Alberta's Athabasca Oil Sands region south of Fort McMurray, these resources are the basis for our multi-phase growth plan with a staged production target of 180,000 bbl/d of Premium Sweet Crude (PSC™) net to OPTI by 2020.

Growth potential

→ With the experience gained from Phase 1, we are well positioned to build our expansion phases similar in design and size with design and technology choices already made and key execution lessons behind us. We are actively preparing for planned project sanctioning of Phase 2 in 2008. Resource delineation for Phases 3 through 6 is currently in progress.

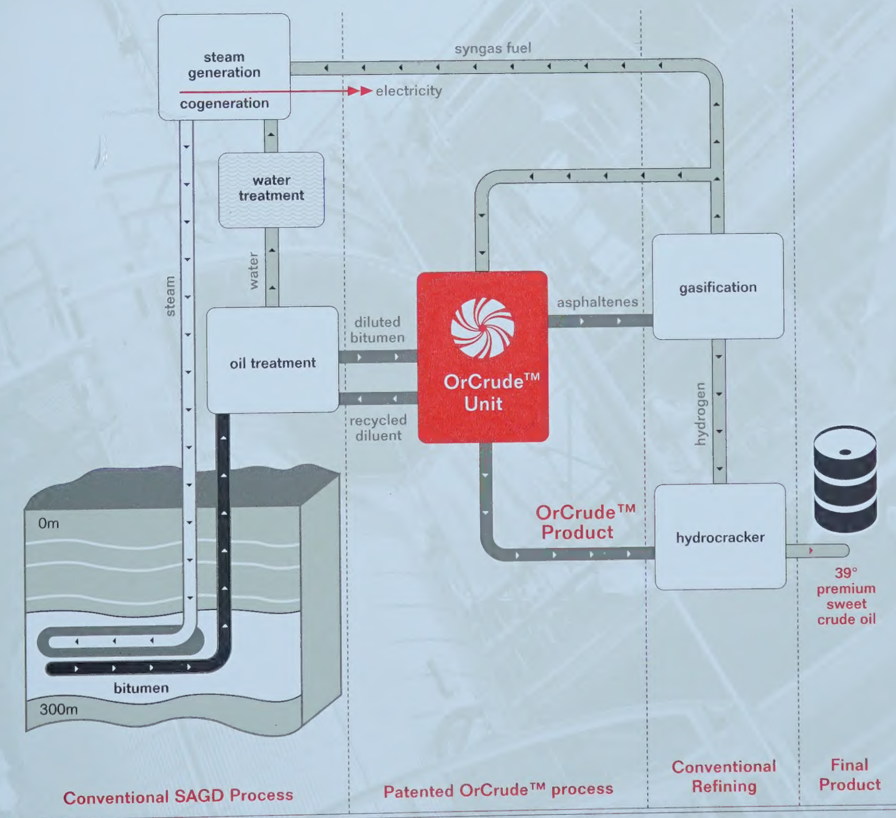
Premium Sweet Crude

	Long Lake (PSC™)	West Texas Intermediate (WTI)
Gravity ° API	**39**	38.7
Sulphur ppm	**<10**	4500
Transportation fuels	**70%**	61%
Gas-oil	**28%**	24%
Diesel/cetane #	**47**	56

Our Premium Sweet Crude is anticipated to be one of the highest quality synthetic crudes to come from the Canadian oil sands and possess premium characteristics for making transportation fuels – the driver of the North American refining business.

Integrated OrCrude™ Process

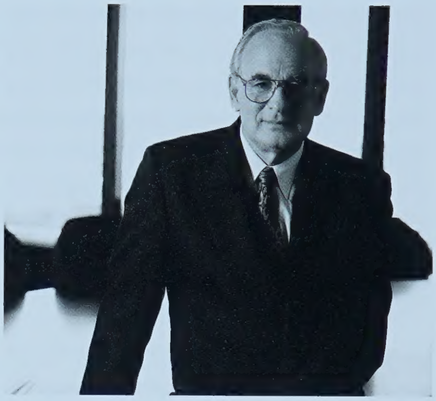
Our next-generation, integrated OrCrude™ process is a key competitive advantage. This proven, proprietary process upgrades bitumen to a high quality synthetic oil, while substantially reducing the need for natural gas, via a combination of proven upgrading processes and equipment used in commercial refineries for over 40 years.



The entire Project is moving rapidly towards start-up, including our OPTI-operated Upgrader.

Dear Fellow Shareholders:

Mr. Sid Dykstra
President & Chief Executive Officer



Mr. James W. Stanford
Chairman

DELIVERING...

OUR FIRST PHASE OF OIL SANDS DEVELOPMENT

→ At the site of Phase 1 of our Long Lake Project, the skyline seemed to change every day this year as 5.8 million construction work hours were completed. After reaching peak construction in 2006, the entire project is moving rapidly towards start-up of our OPTI-operated Upgrader and our first production of Premium Sweet Crude (PSC™) later this year. In this busy environment, to date there have been very few incidents or lost time injuries – truly world-class safety performance. This record is a direct result of the expertise of our people, their leadership, and the company-wide priority on safety.

Both construction and commissioning activities are now ongoing. Completing and starting up a project of this size and scale is never without challenges. With the enormous amount of detailed planning having been invested into the transition from construction to operations, however, we believe we have the right execution strategy, systems and team in place to effectively address what lies ahead.

One of our most important achievements of 2006 was the hiring of a skilled Long Lake operations team well in advance of start-up. This was a significant accomplishment in a busy labour market. The reasons why people are attracted to work at OPTI are probably as many as there are employees, but common themes include the opportunity to get in on the "ground floor" of a major, exciting project, our entrepreneurial culture, and our location. As the first major development south of Fort McMurray, we are proud that our Fort McMurray/Anzac-based employees will have the opportunity to actively contribute as residents in the community in which they work.

The year was not without its challenges, and we experienced a Project cost overrun of approximately 20 percent. The core strategies we implemented at the beginning of the Project, such as detailed planning, a high degree of owner involvement and a large modularization program served us well and have enabled us to avoid the immense cost overruns experienced by similar projects. However, the Project is being completed during a period of intense construction activity where prices for labour and materials have increased substantially, and we are by no means immune. This environment has also resulted in craft labour scarcity, and we experienced slower than anticipated ramp-up of labour on site. As a result, planned project completion has been delayed by about one quarter to the end of the third quarter of 2007. We expect to continue to experience cost pressures through to the end of the Project, but remain committed to disciplined capital spending in all our activities.

Long Lake Phase 1 will serve as a foundation for the future growth of our company. We now own a legacy asset expected to produce approximately 60,000 barrels per day of PSC™, a very high quality synthetic oil and essentially a WTI equivalent, for 40 years. We plan to use revenue from Phase 1 and future projects, combined with an appropriate amount of debt and equity, to fund our growth plans to reach 180,000 barrels per day production capacity by 2020.

MULTI-PHASE GROWTH OPPORTUNITIES

→ Building on the momentum of Long Lake, we continue to advance our multi-phase plans for future growth. With Phase 1 nearly complete, we are in a great position as we apply our experience and knowledge to future phases via our strategy to build similar sized, repeatable phases. We believe this will enable us to have an even higher level of confidence in our cost estimates. We know the technology configuration, amount of steel, types of equipment and number of work hours it took to complete Phase 1. Therefore, our future phases are already well advanced. In a hot construction environment, we feel this is a key execution advantage.

Without shifting focus from our primary goal – successful completion of Phase 1 – in 2006 we continued to invest in our future growth. We doubled our land position at Leismer, bringing the total amount of land that OPTI owns at Long Lake, Leismer and Cottonwood to over 370 sections. We conducted a delineation program that increased our recoverable reserve and resource base estimate to 3 billion barrels. And we submitted our regulatory application for SAGD production on the south end of Long Lake in preparation for Phase 2. Regulatory approval is already in place for our Phase 2 upgrader.

In 2007, we have an active delineation program on both our Long Lake and Leismer leases to develop the resource for additional phases.

The most common question we are asked by investors is "What will Phase 2 cost?" The simple answer is that it's too early to tell. Extensive planning began in 2006 to identify ways to mitigate pressure on future project costs due to the unprecedented levels of activity in Canada's oil sands and the global energy industry. **In 2007, our Phase 2 activities will be directed towards developing a detailed cost estimate, execution strategy and expected on-stream dates based on a level of engineering even higher than that of Phase 1. This will provide sufficient information for sanctioning in 2008.** We are in an excellent position to produce an accurate cost estimate, given that we are in the late stages of constructing a nearly identical phase. Our ability to plan and execute these projects, as cost-effectively as possible, is key to continuing to create value for our shareholders.

RESPONSIBLE GROWTH

→ Climate change and other environmental matters were increasingly in the news in 2006, and we anticipate that there may be new Canadian regulations on this matter in the future, the form of which we neither know at the present time nor control.

What we can control are our own actions. In developing our oil sands projects, OPTI is committed to developing and applying strategies that address key environmental issues, as we believe that responsible development leads to strong business results. For example, we were the first to bring gasification technology to Canada's oil sands, thereby substantially reducing the consumption of natural gas to extract and upgrade heavy oil.

OPTI's original, state-of-the-art design for the Long Lake Upgrader is just one example of the innovations we are bringing to the oil sands sector. We continually look for new and different ways to deliver responsible oil sands development. In 2005, we announced that we would build an ash processing unit to reduce the amount of soot waste product from the gasifier, reducing the need to haul the material to landfills and resulting in reduced operating costs. As one of the first SAGD projects to use brackish water, we are leaders in reducing the need for fresh water and continue to seek new ways to minimize water use. We are also currently evaluating ways to capture CO_2 emissions, and we invite readers to learn more about our commitment to the environment in our corporate responsibility section.

GOOD GOVERNANCE

→ Several notable changes have been made at the Board level. At our last annual general meeting, Lucien Bronicki retired as Chairman. Lucien was one of the first to see the promise of the OrCrude™ process and was crucial to OPTI's initial development. Don Garner has decided not to stand for re-election at this year's annual meeting. He has been a director of OPTI since 2002, and we have benefited greatly from his thoughtful counsel. In 2006, Charles Dunlap, Chief Executive Officer and President of Pasadena Refinery System Inc., joined our Board with extensive expertise in the North American downstream sector. Christopher Slubicki, formerly the Vice Chairman of Scotia Waterous, recently joined our Board bringing with him a strong background in the petroleum industry and global energy investment banking. We would like to thank our fellow directors for their advice, insight, support and commitment to OPTI's shareholders.

2006

What we promised... and what we delivered

- While we achieved an excellent safety record in 2006, it was one of the busiest construction periods on record in Alberta. As a result, our construction workforce ramped-up more slowly than we anticipated causing our schedule to shift slightly, and SAGD start-up is now scheduled for near the end of the first quarter of 2007. The market also drove up the costs of labour and materials, and as a result we experienced a cost increase of 20 percent.

- We completed between 75 and 80 percent of Upgrader construction in 2006. Our schedule for start-up of the Upgrader shifted by approximately one quarter, and we now expect Upgrader start-up late in the third quarter of 2007, with first production of Premium Sweet Crude in the fourth quarter.

- A major accomplishment in 2006 was the hiring of our operations team. At December 31, 2006, we had hired 85 percent of the Upgrader operations employees who are actively preparing for the safe, steady operation of the facility for 40 years.

- We achieved this goal and submitted a regulatory application for 140,000 bbl/d of SAGD production at Long Lake South, the site of Phase 2 SAGD operation. We advanced our plans for Phase 2 in 2006 and will continue our detailed engineering work through 2007 in preparation for project sanctioning in 2008.

- In the winter 2005/2006 drilling season we completed 45 core holes and acquired over 100 kilometres of 2-D seismic on these properties to further advance planning of future phases of growth.

2007

What we are planning... and what we are committed to achieving

→ **100 percent safe performance in everything we do – completion of construction, commissioning and start-up, and operations.**

→ **First bitumen production from our SAGD operations; exit year with volumes of 35,000 – 45,000 bbl/d of bitumen (17,500 – 22,500 bbl/d net to OPTI) and a steam oil ratio of less than 4.0.**

→ **Production of our first synthetic crude from the OPTI-operated Upgrader in the fourth quarter.**

→ **Complete approximately 30 percent of Phase 2 up-front engineering with a sufficiently defined cost estimate and schedule to be positioned to sanction the project in 2008.**

→ **Further define resource base and refine plans for Phase 3 in support of our goal to achieve 180,000 bbl/d of PSC™ production by 2020.**

Our executive leadership team is also changing. At the end of February 2007, George Crookshank retired as our Vice President of Finance and Chief Financial Officer. I'd like to thank him for his distinguished service and the important role he played in building OPTI into a strong, growth-oriented company.

I would especially like to thank all of our employees for their contributions in 2006. What we have achieved this year was a direct result of their enthusiasm and hard work. Whether you're an employee on the project team that delivered key milestones in the construction of Phase 1, or making strong progress on Phase 2; a member of our operations team preparing Phase 1 to operate effectively and safety for the next 40 years; or on our corporate team that supports these important endeavours, your contribution is valued and appreciated.

A DISTINCT OIL SANDS ADVANTAGE

→ OPTI delivers a distinct advantage in the oil sands industry. **We have a project poised for start-up in 2007 and a next-generation oil sands process designed to deliver significant returns; large resources; and a sustainable development strategy.**

We are positioned to be the lowest cost producer in the oil sands. This is an important competitive advantage as we will be positioned to generate strong returns regardless of the oil price environment.

Oil prices are therefore not something we spend a lot of time attempting to predict. However, volatile oil prices do influence the stock prices of companies across the petroleum sector, and in 2006 OPTI's share price ended flat for the year as did the majority of our peers. As we undergo the transformation in 2007/08 to a producing company, we anticipate that our stock will react positively – although this, of course, will be subject to commodity prices and market conditions.

I would like to thank our shareholders, the owners of OPTI, many of whom who have been with the Company since our early private financings, for their continued support.

We look towards 2007 with great excitement, as we deliver our oil sands advantage.

Sid W. Dykstra
President & Chief Executive Officer

James W. Stanford
Chairman

February 23, 2007

Powering the Plant

Arden Knaus
Cogen Construction Coordinator
Electrical, Instrumentation & Control

"Over the total SAGD project, electricians installed approximately 890 kilometres of electrical cable, enough to reach from Long Lake to Calgary. Being able to accomplish this in just two years is the result of a massive amount of coordination between contractors and each trade discipline. This level of coordination has enabled our contractors to work together to complete their activities in tandem with each other."

The Long Lake Project SAGD CMT Team successfully completed several major milestones in 2006. We completed most of the construction of the SAGD central plant and cogeneration facilities, including finalizing SAGD mechanical and electrical control system connections and commenced turnover of the SAGD well pads to operations.

Efforts are now concentrated on commissioning and start-up of the SAGD operations. First steam injection begins early in 2007, initiating the important process of heating the underground formation in preparation for bitumen extraction and upgrading in the coming months.

890

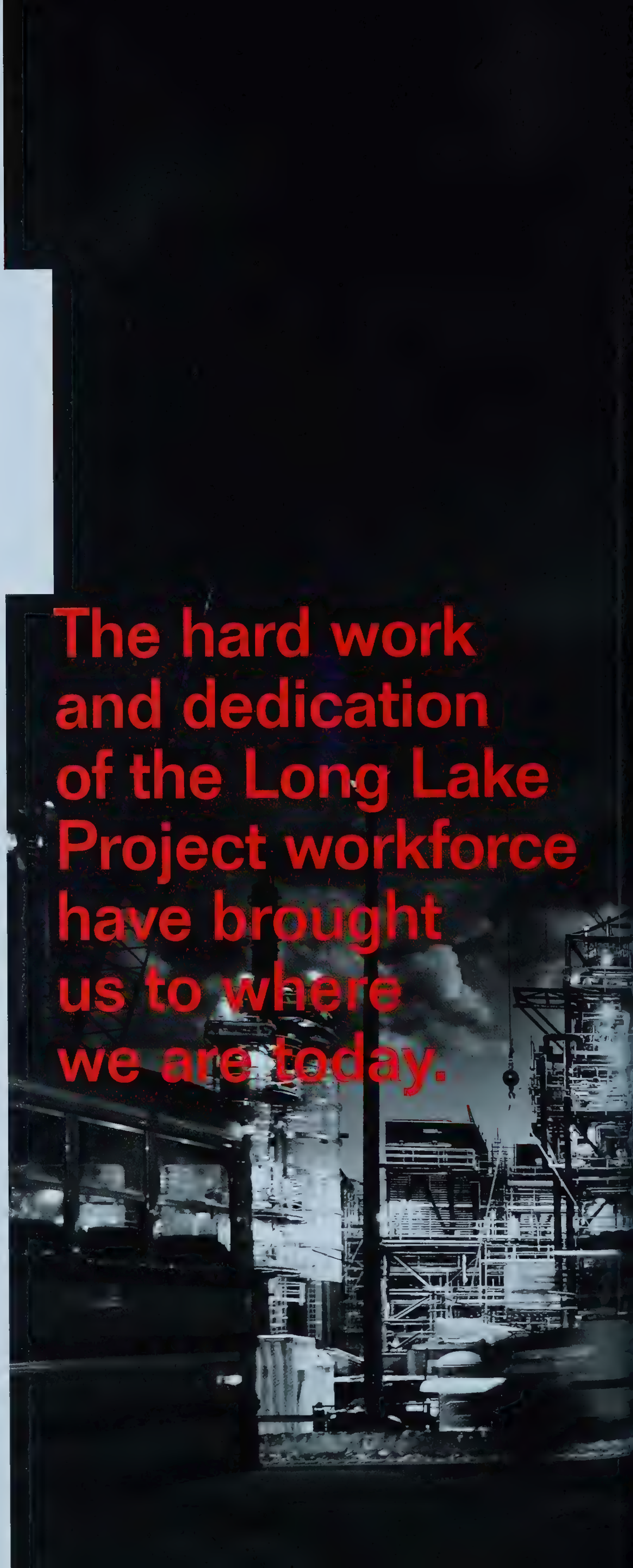
Kilometres of electrical cable installed in SAGD facilities.

Promoting Performance

Dave Schleen, P. Eng.
Project Director, Phase 1
OPTI Upgrader Team

"The hard work and dedication of the Long Lake Project workforce have brought us to where we are today. Our approach to building this facility is one where autonomous silos complete their pieces, each following disciplined, well-planned schedules. A high level of up-front planning and timely materials management is of critical importance and has ensured that our workers have the supplies to execute the work on schedule. Having the close involvement of the Project Owners is another key factor in our success to date."

Over 5.8 million construction work hours were completed on Long Lake Phase 1 in 2006, as welders, pipe fitters, electricians, and other on-site craft construction personnel intensified their activities. An overarching commitment to safety, supported by communication and collaboration, has enabled Long Lake's team to meet the challenges of this enormous task. Now, with the Upgrader nearing completion, OPTI is continuing to emphasize the importance of completing and documenting every detail of the plant, as well as focusing on the smooth transition between the construction and operational phases.



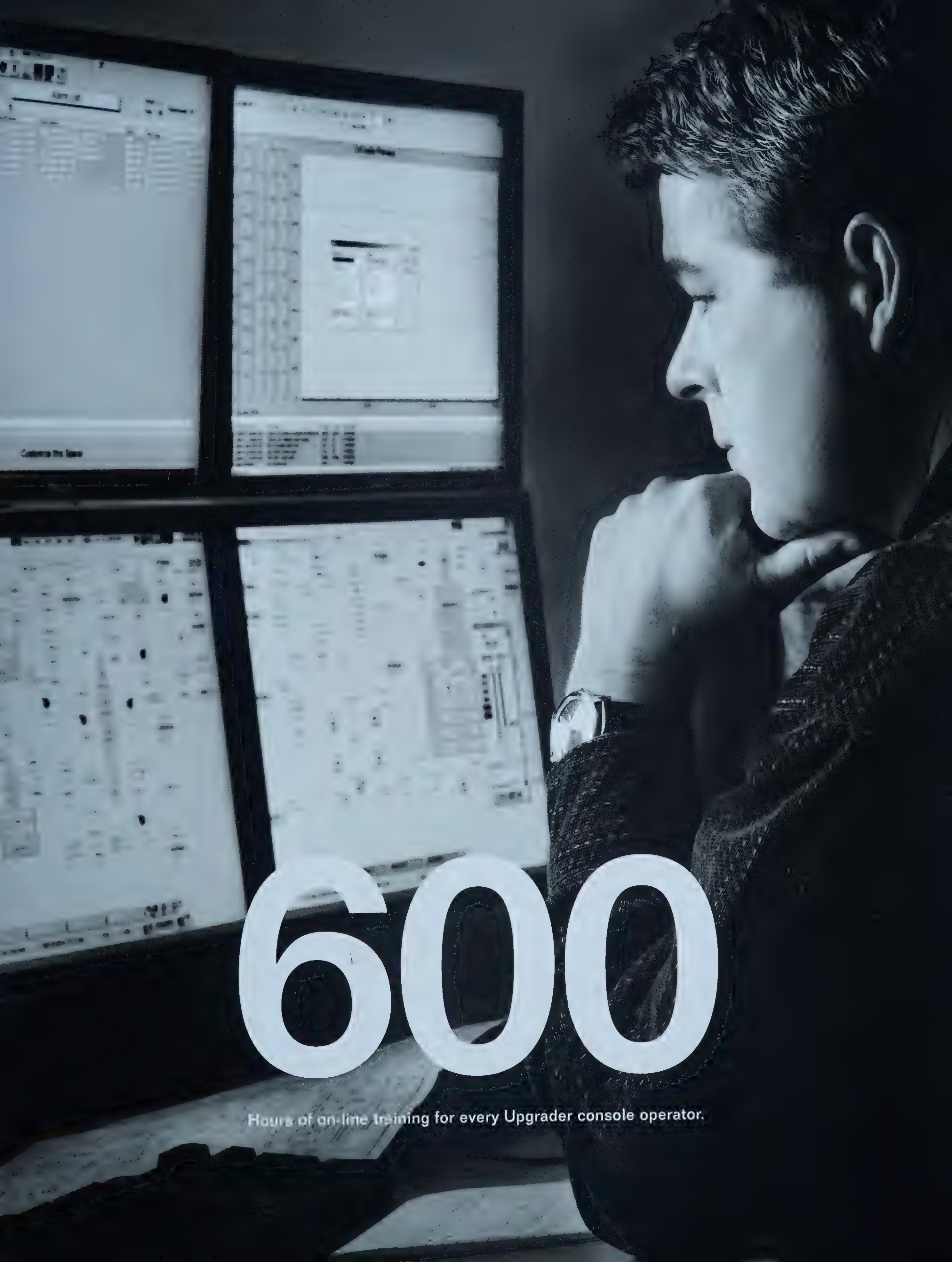

5.8 million.
Work hours completed in 2006, with an excellent safety record.

Simulating the Start-Up

Stan Hamilton
Operations Trainer (Simulator Specialist)
OPTI Upgrader Team

"OPTI invested in a state-of-the-art, intuitive software package for Upgrader Console Operator training that is customized, module-specific, and simulates every function of the units such as compressors, valves, instruments, and vessel reactions in our Upgrader. It's like a flight simulator, and it's enabling us to prove procedures, controls, logic narrative and ensure that our entire team is fully immersed in and operating the virtual Upgrader, so we will be ready well before start-up."

Commissioning an integrated SAGD/Upgrading facility with the size and scope of the Long Lake Project isn't a single event, but a well orchestrated, highly structured process. And safe, reliable steady-state operation is the ultimate objective. That's why OPTI invested in customized Upgrader console training software and why each operator will perform more than 600 hours of training well in advance of facility start-up. Current estimates anticipate Long Lake Project Phase 1 Upgrader start-up late in the third quarter of 2007, with the first premium synthetic crude oil to begin flowing prior to year-end.


600
Hours of on-line training for every Upgrader console operator.

Protecting the Environment

Julie Walker, B.Sc., P. Biol.
Environmental Advisor

"One of the key responsibilities of the Community Consultation & Regulatory Affairs team is to compile baseline environmental impact assessments and submit our regulatory applications. A great deal of effort is spent in data gathering and implementation of monitoring systems. These efforts and environmental measures help to minimize Project impacts."

→ **The Long Lake Project has been designed with the best available technologies to reduce impacts to air, land and water. Comprehensive environmental impact assessments and baseline monitoring programs preceded the initial construction of the Project. Ambient air quality monitoring stations, like the one pictured here, exceed regulatory requirements in recording emissions and provide real-time data to the community. This transparent approach is a hallmark of OPTI's ongoing public consultation program, which ensures stakeholders are well informed about our activities.**

Our efforts are focused on providing environmental measures that minimize Project impacts.

18,000

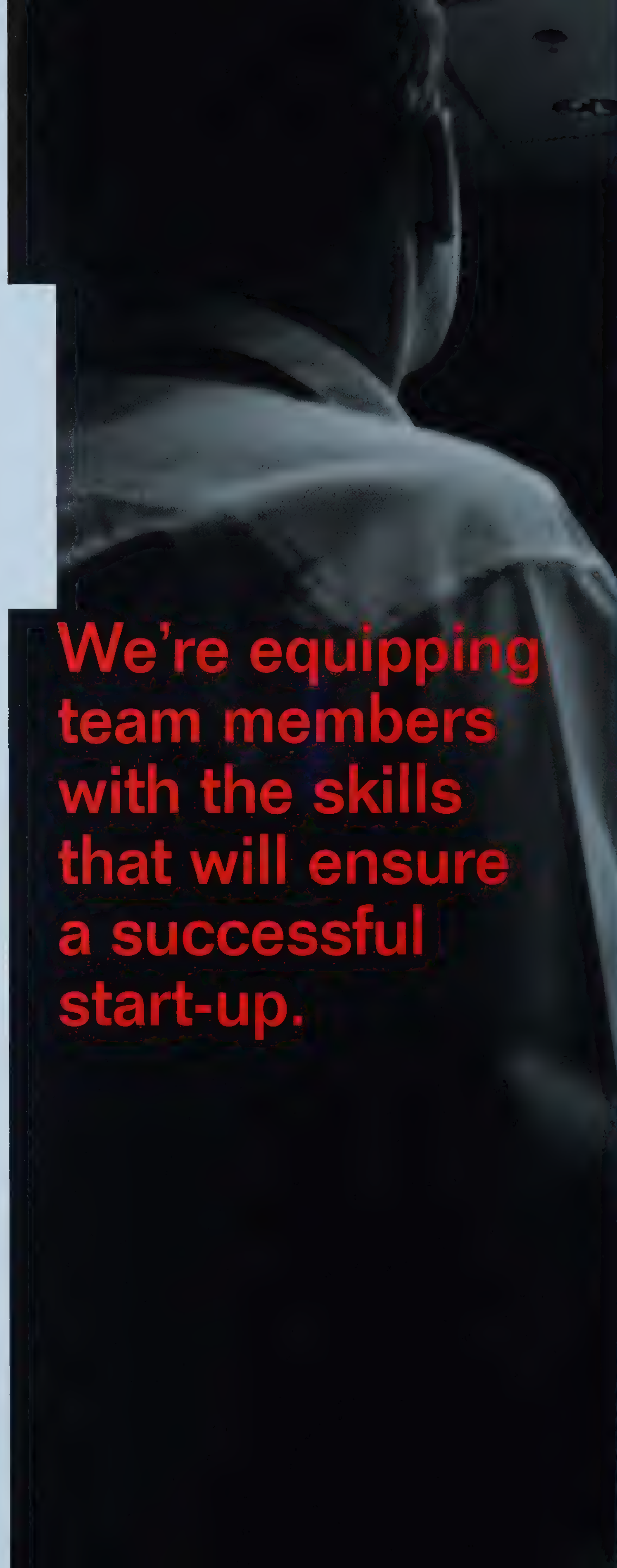
Environmental data points captured through continuous monitoring.

Building the Team

Debra Windle-Smith
Human Resources/Administration Manager
OPTI Upgrader Team

"In 2006, we essentially staffed Upgrader Operations and put training infrastructure in place to prepare for commissioning and start-up. Our strategy is to grow our own talent and provide broad opportunities for people within the organization as OPTI grows. We also believe it's very important to support and become a part of the local community. Most of our employees who work for Operations at our Long Lake site are based in the Fort McMurray area."

→ **Transitioning from construction to operations continued throughout the Long Lake Project in 2006, as cross-Canada recruitment tours and 16 open houses attracted high calibre people to the Upgrader. At year-end 2006, 176 Upgrader employees were in place in the organizational structure that will operate this facility for the next 40 years. OPTI's modern, high-tech administration facility is also playing a key role in attracting new employees and provides an excellent foundation for developing our learning culture to equip team members with the skills that will ensure a successful start-up.**



We're equipping team members with the skills that will ensure a successful start-up.

176

Operations Upgrader employees in place at year-end 2006.

Focusing on the Resource

Stephanie Schmidt, P. Geol.
SAGD Geologist,
Resource Development Team

"We drilled about 165 delineation wells during the 2005/2006 winter drilling season. Our focus is on the core areas of the expansion lands we hold, defining the best areas of bitumen for development. We spend a lot of time working with the core geological data and merging the information between geological, geophysical and engineering groups to arrive at the optimal locations for horizontal SAGD wells."

In 2006, the Long Lake joint venture partners acquired an additional 72 sections of land adjacent to the Leismer lease, increasing the prospective acreage held in this area to 146 sections. OPTI and Nexen now own rights to over 370 sections of land at Long Lake, Leismer and Cottonwood. During the 2006/2007 winter drilling season, we will drill 130 core holes and obtain more than 40 square miles of 3-D seismic to advance future phases of growth. Phase 2 planning is well under way with regulatory approvals in place for the Phase 2 Upgrader and the regulatory application for the SAGD wells currently advancing through the review process.

585

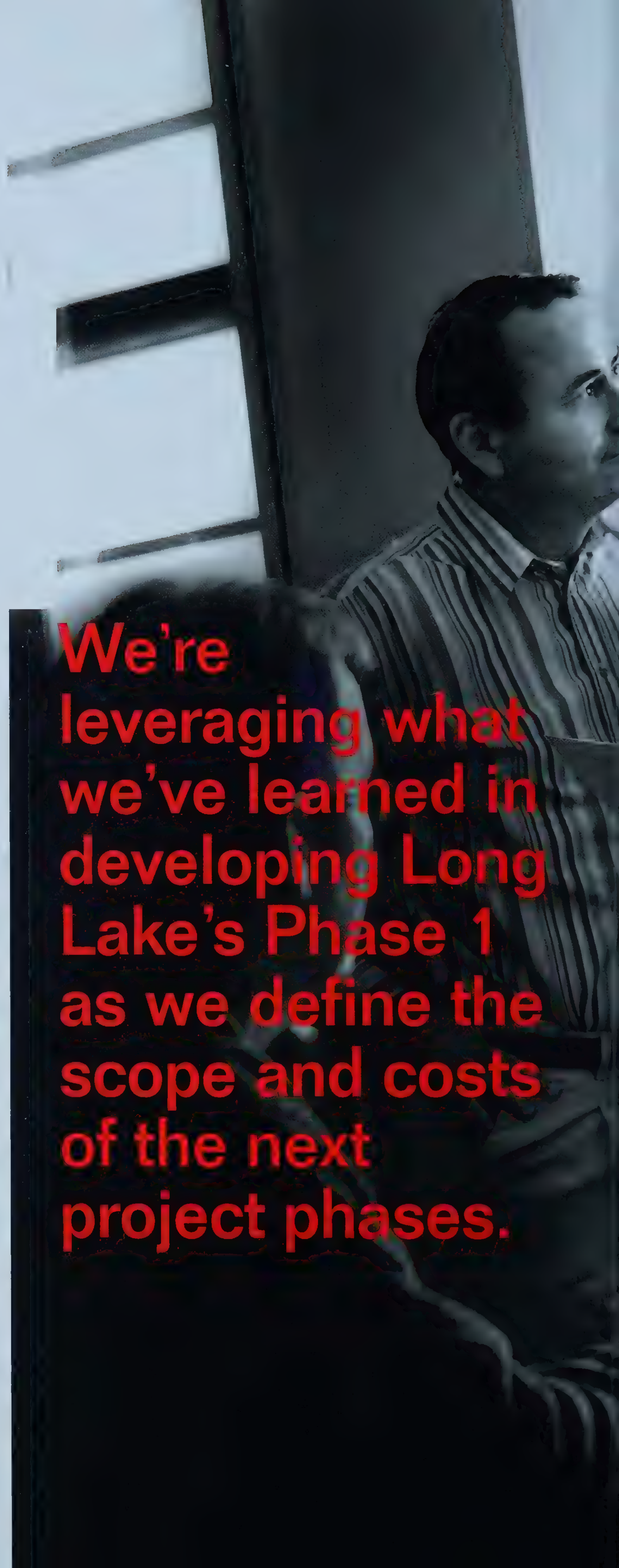
Delineation wells drilled by OPTI on our lands at December 31, 2006.

Planning for Growth

Todd Charter
Project Services Supervisor
Upgrader Phase 2

"Our team of employees and contractors is working on engineering studies for the next phases of the Long Lake Project. Our role involves gathering information, identifying key indices and trends and assembling the data on which to base significant decisions on how to build the next project phases. We're leveraging what we've learned in developing Long Lake's Phase 1 as we define the scope and costs of the next project phases."

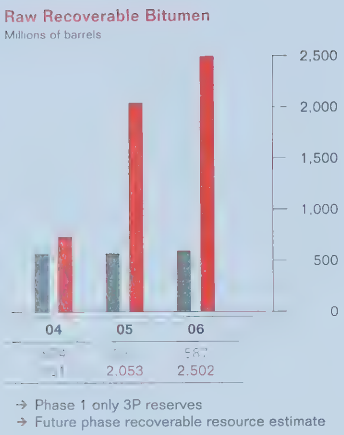
OPTI's long-term objective is to reach 180,000 bbl/d of PSC™ production capacity net to our company. To achieve this goal, our project team is actively engaged in planning and engineering to define the cost estimate, execution strategy and project schedule for Phase 2. Approximately 30 percent of engineering is to be complete prior to the expected sanctioning of Phase 2 in 2008 – a level significantly higher than Phase 1 at the same juncture. This measure is designed to provide a higher degree of cost certainty and help maintain capital discipline in light of the very active oil sands construction environment.



> We're leveraging what we've learned in developing Long Lake's Phase 1 as we define the scope and costs of the next project phases.

180,000

Barrels per day of premium synthetic crude production capacity targeted for 2020.



Land purchases in 2006 have increased OPTI's holdings to a 50 percent interest in over 370 sections of oil sands leases in the Athabasca region.

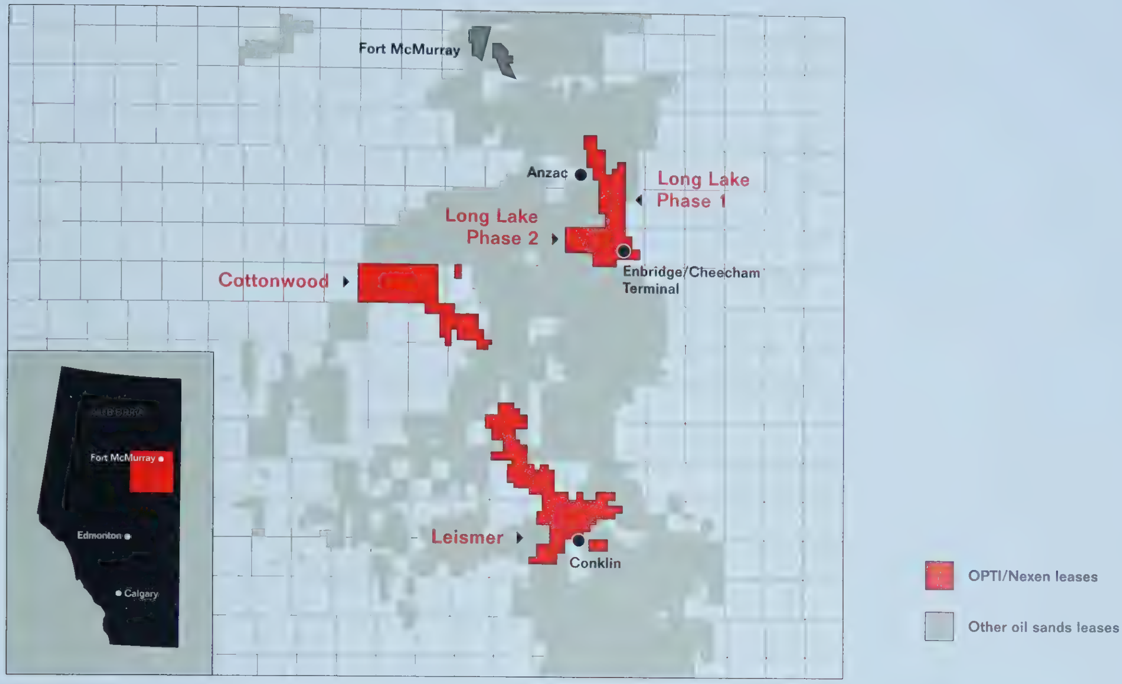
EXPANDING

OUR RESOURCE BASE

→ OPTI and our joint venture partner, Nexen, own three leases in the Athabasca Oil Sands region: Long Lake, Leismer and Cottonwood. We believe we have sufficient resources to build six phases and reach 180,000 bbl/d production capacity net to OPTI by 2020. In 2006, OPTI has continued to expand its reserve and resource base through drilling and land acquisitions. During the year, we purchased interests in over 70 sections of land; we now own a 50 percent interest in over 370 sections of oil sands leases in the Athabasca region.

Long Lake, located about 42 kilometers southeast of Fort McMurray, consists of 98 sections of land and is the location of our Phase 1 oil sands project as well as the planned location for Phase 2. The final location of Phases 3 through 6 have yet to be determined. Leismer is located about 64 kilometers southwest of Long Lake and consists of 146 sections of land. Cottonwood is located 32 kilometers southwest of Long Lake and consists of 129 sections of land.

An independent evaluation of the Long Lake lands and a portion of the Leismer lands has been prepared by McDaniel & Associates Consultants Ltd. (McDaniel & Associates). The estimates for the Cottonwood lease and the remainder of the Leismer lands have been prepared internally. The McDaniel & Associates evaluation of our Long Lake Phase 1 lands recognizes the impact of upgrading on the resources. Most of the raw bitumen will be upgraded and sold as PSC™ and butane, and is shown as synthetic crude oil or butane reserves. Bitumen will be sold upon start-up of SAGD operations prior to Upgrader start-up, and thereafter during periods of Upgrader downtime, and is shown as bitumen reserves. The following table shows OPTI's working interest in the raw bitumen reserves and the corresponding volumes.



OPTI Properties in the Athabasca Oil Sands Area

	Raw recoverable bitumen	Gross sales volumes		
		PSC™ synthetic	Butane	Bitumen
All volumes are millions of barrels				
2006				
Proven	**243**	**184**	**3**	**14**
Proven plus Probable	**456**	**350**	**5**	**19**
Proven plus Probable plus Possible	**587**	**452**	**6**	**23**
The corresponding reserves estimates at December 31, 2005, were as follows:				
Proven plus Probable plus Possible	583	449	6	24

In addition to our reserves, we estimate additional recoverable resources over the remainder of our Long Lake lease, as well as our additional leases at Leismer and Cottonwood

	Raw recoverable bitumen (1)
All volumes are millions of barrels	
2006	
Remainder of Long Lake leases	**998**
Leismer (2)	**955**
Cottonwood (2)	**550**
Total	**2,502**
2005	
Total	2,053

(1) These estimates represent the "best estimate" of our initial resource estimates, are not classified or recognized reserves, and are in addition to our disclosed reserve volumes. We define resources, as opposed to reserves, as those quantities of bitumen estimated to be potentially recoverable from known accumulations but are classified as a resource rather than a reserve primarily due to less delineation and the absence of regulatory approvals, detailed design estimates and near term development plans

(2) The estimate for the Cottonwood lease and a portion of the Leismer lease has been prepared by us and not reviewed by McDaniel & Associates

OPTI Canada's corporate values

OPTI CANADA has a strong and clearly articulated set of corporate values, which are embedded in all of our business practices. We rely on our values to successfully develop our organization and our complex, integrated project in a fast paced and competitive environment.

Our corporate governance, community involvement, and environmental practices are deeply rooted in our corporate values. All OPTI employees, consultants and contractors work in accordance with our high standards and corporate values. We are committed to open, honest, and clear business practices that strengthen our reputation and the quality of our stakeholder relationships.

Commitment to safety, both at work and at home, responsibility, creativity, innovation, balance and accountability are some of the key attributes that OPTI encourages, values and rewards.

- → **We conduct our business in a safe, responsible manner, demonstrating the highest corporate and personal ethics and integrity.**
- → **We are innovative, creative and passionate about our work and thrive on taking on big challenges.**
- → **We are accountable for our actions and take ownership of the work we perform.**
- → **We apply and expand our skills and knowledge to deliver the best business results.**
- → **We balance work and home life to sustain superior performance.**
- → **We build strong, long-term, collaborative relationships based on trust and mutual respect.**

OPTI's first air quality monitoring unit for Long Lake Phase 1 is located in the hamlet of Anzac, the closest population centre to the Project site.

AN ENVIRONMENTALLY RESPONSIBLE OIL SANDS COMPANY

→ A commitment to safe, sustainable, socially responsible development has characterized OPTI's approach to oil sands development since our company's inception. We believe that incorporating environmentally responsible practices that meet or exceed regulatory requirements into strategic project planning leads to strong business results.

As a new, state-of-the-art upgrading facility, we are using today's best available technologies. At the same time, we will continue to evaluate innovations that reduce our impact on the environment.

REDUCING DEPENDENCE ON NATURAL GAS

→ Our proprietary integrated OrCrude™ process brings a step-change to the oil sands industry. SAGD oil sands projects typically consume large quantities of natural gas to extract bitumen, separate the oil from the sand and upgrade the oil to meet market specifications. Our proprietary integrated OrCrude™ process is unique in the oil sands industry as it substantially reduces the need for natural gas. This technology allows us to efficiently process almost 100 percent of every barrel of oil we produce into usable products. This includes the heavy "bottoms", or what is typically discarded as waste in comparable projects.

PROTECTING GROUND WATER

→ Conserving and protecting ground water is a key priority for the Long Lake Project, one of the first SAGD oil sands project in Alberta to commit to the use of "brackish" water. Over 90 percent of the water required by our SAGD operations will be recycled. We will conduct extensive monitoring of the level and quality of ground water throughout the life of the Project via a system that employs electronic real-time equipment. To decrease overall water consumption we are also investigating the use of dry low nitrous oxide (NO_X) burners to reduce our water requirements.

ENERGY INTEGRATION

→ Producing and upgrading bitumen into a high quality synthetic crude oil requires large amounts of energy. OPTI has incorporated a variety of leading-edge, energy saving technologies into the Long Lake Project, such as reducing our reliance on natural gas, the construction of a highly efficient co-generation facility and the use of Ormat Energy Converters, which convert waste heat into electricity. Long Lake Phase 1 is anticipated to produce more electricity than the Project will require, and we plan to sell excess electricity to the Alberta Power Pool.

MONITORING AIR QUALITY

→ As a SAGD operation, Long Lake operates without diesel-powered mining and hauling equipment, resulting in low NO_X emissions. Using best-available, proven technology, our sulphur recovery is expected to approach 98 percent, one of the highest recovery efficiencies possible in the oil sands. In addition, the Long Lake Project has installed a permanent, real-time air monitoring trailer in the local community that will continuously monitor air quality.

MINIMIZING OUR DEVELOPMENTAL FOOTPRINT

→ Reducing the size of our footprint minimizes our impact on wildlife and reduces reclamation costs. In the early planning stages of the Project, we conducted a rigorous assessment of our Long Lake land base. Potential environmental and cultural sensitivities were inventoried, and this information was used to plan and choose the locations for the SAGD well pairs and upgrading facilities. Low-impact seismic practices were used to delineate the property. We avoided water crossings, wetlands and areas of historical significance to the local community. Well pads were centrally located to reduce the facility's footprint.

We also implemented an integrated plan with forestry companies to share road access and plan timber harvesting in lease areas requiring clearing. This saved hundreds of hectares of land from being unnecessarily cleared, as well as hundreds of thousands of dollars in road construction costs.

Our Long Lake staff has teamed up with the Alberta Biodiversity Monitoring Program (ABMP), a new organization monitoring and reporting habitat and species status and trends throughout Alberta. By working with the ABMP, Long Lake staff are helping the organization to field test its biodiversity management protocol. The goal is to implement this program province-wide in 2007. Through this program, we will be equipped to realistically evaluate any changes in biodiversity over time.

REDUCING WASTE

→ In 2006, OPTI announced that we had developed an innovative way to reduce the amount of soot waste product from the gasifier. By adding a wet oxidation unit, this solid waste stream is reduced to about 10 percent of its original volume and processed into a metals-rich product. The facility adds further value to our upgrading process by transforming our waste into a marketable commodity, significantly reducing the waste we send to landfills, decreasing traffic to and from the site and creating operating cost savings.

FUTURE OPPORTUNITIES

→ All upgrading processes are carbon-intensive. In solving certain environmental challenges, such as CO_2 emissions, there is a great deal more work to be done across our industry – and there are no easy answers.

We are committed to the active research of innovative techniques to facilitate responsible environmental stewardship. A key technology component of our integrated process is gasification, and we currently have the first gasifier in Canada's oil sands. By combining gasification with other available technologies, such as a shift reactor, it may be possible to capture a concentrated stream of CO_2 for subsequent use in enhanced oil recovery (EOR) or for CO_2 sequestration. We are exploring the potential for, and efficiencies of, such CO_2 capture and storage technologies. While capital and operating cost investments would be required, the real challenge is the current lack of infrastructure. Moving this initiative from initial concept to reality will require coordinated action and commitment to long-term solutions from industry and government. OPTI is committed to thoughtful action in this area, recognizing the importance of realistic government policies that protect Canada's economic competitiveness and environmental uniqueness.

OPTI is among the first in Canada to use new seismic technology that heightens the safety of seismic workers and minimizes our environmental footprint related to capturing 3-D data.

→ We believe that good corporate governance is essential to creating long-term value for our shareholders. Strong business results can only be achieved by operating with integrity and in an ethical manner. As such, OPTI is committed to best practices in corporate governance and our Board continually seeks ways to build and maintain its high level of standards and values.

Driven by this ongoing process, we have welcomed two new independent directors to our Board over the past year, Charles Dunlap and Christopher Slubicki. At our 2006 annual general meeting of shareholders, we appointed James M. Stanford, a director of our company since 2002, Chairman of the Board reflecting the decision of Lucien Bronicki, co-founder and Chairman of ORMAT, OPTI's former parent company, to step down. At February 2007, seven of our 10 Board members and the entire Audit Committee were determined to be independent of management under National Policy 58-201 Corporate Governance Guidelines.

Our Board has responsibility for stewardship of the Company on behalf of its shareholders. It meets regularly, and a broad range of matters are discussed and reviewed for approval. Each scheduled board meeting includes an in camera discussion without the presence of management.

The Board's oversight role encompasses overall corporate plans and strategies, budgets, internal controls and management information systems, risk management as well as financial and operating results. Our Board is also responsible for selecting, monitoring and evaluating executive leadership and aligning management's decision-making with long-term shareholder interest. It is supported by a number of Board Committees, including an Audit Committee, a Governance and Nominating Committee, a Compensation Committee, and a Technical Committee. The roles and responsibilities of these committees follow:

AUDIT COMMITTEE

→ The purpose of the audit committee is to assist the Board of Directors in fulfilling its responsibility of oversight and supervision of, among other things:

- the audit of the financial statements of OPTI, managing the relationship with the auditor and meeting with the auditor as required in connection with the audit services provided by the auditor;
- the preparation and reporting of OPTI's annual and quarterly financial statements and management's discussion and analysis;
- the accounting and financial reporting practices and procedures of OPTI;
- the adequacy of internal controls and accounting procedures of OPTI; and
- the quality and integrity of financial statements of OPTI.

GOVERNANCE AND NOMINATING COMMITTEE

→ The purpose of the governance and nominating committee is to assist our Board of Directors in fulfilling its responsibilities in relation to, among other things:

- the monitoring and oversight of the quality and effectiveness of OPTI's corporate governance practices and policies; and
- considering nominees for the Board of Directors.

COMPENSATION COMMITTEE

→ The purpose of the compensation committee is to assist the Board of Directors in fulfilling its responsibilities in relation to, among other things:

- determining the adequacy and appropriateness of the compensation of our officers, employees and our Board of Directors; and
- administering and making recommendations regarding the operation of our Stock Option Plan and any other long-term incentive programs of OPTI.

TECHNICAL COMMITTEE

→ The purpose of the technical committee is to assist the Board of Directors in fulfilling its responsibilities in relation to, among other things:

- the monitoring and oversight of OPTI's independent reserves evaluation process and public disclosure of reserves data and related information;
- the appointment of the independent engineer, managing the relationship with the independent engineer and meeting with the independent engineer as required;
- ensuring that our employees are provided with a safe environment in which to perform their duties; and
- the monitoring and oversight of the policies and procedures of OPTI for ensuring compliance with environmental regulatory requirements.

A comprehensive description of OPTI's governance practices is available in our annual proxy circular which can be found on our website at www.opticanada.com, on SEDAR, or by calling 1-403-249-9425.

The Long Lake Project's targeted community investment program strives to support initiatives that contribute to an improved quality of life for residents of Anzac and surrounding communities.

CONSULTATION

→ We seek to build meaningful, long-term relationships with our stakeholders and to engage them early and often in all of our existing and proposed activities. To foster these relationships, a dedicated Community Consultation & Regulatory Affairs (CCRA) team was established in 2000. A variety of methods are employed to encourage dialogue which include open houses, monthly project articles in the Willow Lake (Anzac) community newsletter and informal community-based events.

Community relationships are further supported by our active participation in regional multi-stakeholder groups including the Cumulative Effects Management Association, Wood Buffalo Environmental Association, Regional Aquatic Monitoring Program, the Athabasca Regional Issues Working Group, the Northeastern Alberta Aboriginal Business Association and the Athabasca Tribal Council.

We have taken an Adaptive Management approach toward resolving community concerns related to our project activities. For example, to address community concerns regarding increased traffic volume, speed and safety along Secondary Highway 881, the Long Lake and Surmont projects spearheaded creation of the multi-stakeholder Willow Lake Traffic Working Group (TWG) in May 2004. The TWG includes representation from community members, Alberta Infrastructure and Transportation and the Royal Canadian Mounted Police. Since its formation, a number of initiatives have been implemented to address community traffic concerns along Highway 881, including improvements in signage, maintenance and widening of the highway in certain areas; installation of a radar trailer, to monitor and report speed of motorists and a Vehicle Inspection Station and staging area for heavy and dimensional loads; and a commitment from oil sands developers to integrate transportation scheduling and to move dimensional loads only between 1 am and 5 am to minimize traffic delays.

DEVELOPMENT

→ The Long Lake Project provides direct employment to many people from the surrounding communities of Anzac, Gregoire Lake Estates and Fort McMurray as well as drawing in residents of Fort McMurray First Nation and the Chipewyan Prairie Dene First Nation. Several area residents are also employed indirectly, through our project contractors. Specialists within Long Lake's CCRA team work with Human Resources personnel to identify upcoming employment opportunities, potential local candidates for these positions and to provide educational or work experience support should they require assistance in qualifying for the position.

Other training initiatives include participation in the new Onsite Accelerated Training Program, support of the Alberta Aboriginal Apprenticeship Program and active involvement on the Sustainable Employment Committee of the Athabasca Tribal Council.

Just as we provide employment for area residents, so too do we provide participation opportunities for local businesses. The CCRA team works with Procurement personnel to develop strategies and identify opportunities for local business involvement. We have also developed a proprietary online database to help us identify potential local contractors. On an ongoing basis, we also encourage our contractors and subcontractors to hire locally.

INVESTMENT

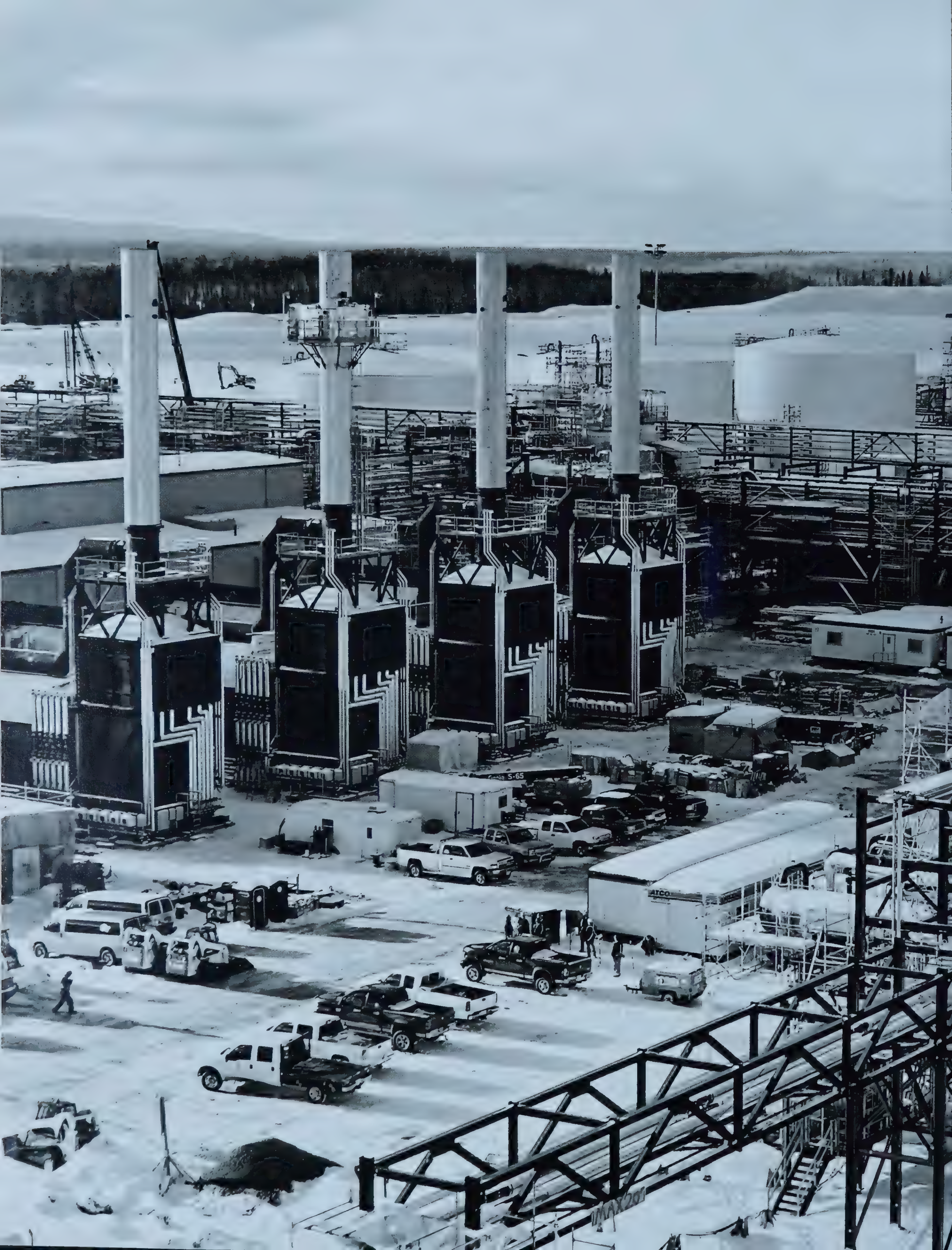
→ Our targeted community investment program provides financial support to help build capacity and self-sufficiency for local not-for-profit organizations. One hundred per cent of the funds for this program are invested in the Wood Buffalo community. Support is considered in five categories: Education & Training; Community Development; Environment; Health & Wellness; and Culture, Arts & Recreation.

One organization that has benefited from this program is the Anzac Community School. Long Lake Project support has enabled the school to introduce early childhood development, literacy and math programs. We've also donated musical instruments to enable creation of a new school band for children in grades 4 to 6.

In the Health & Wellness area, a key initiative has been our long-running sponsorship of a Community Outreach Vehicle and an Aboriginal Dental Program for Anzac and surrounding communities.

MEASURING STAKEHOLDER RESPONSE

→ To determine the thoughts and opinions of the local community, in November 2006 independent polling firm Ipsos Reid was commissioned by the Long Lake Project to conduct a Community Benchmark Survey. According to Ipsos Reid, "The overarching conclusion to draw from this study is that OPTI Canada and Nexen are doing an excellent job so far with the Long Lake Project in terms of community relations." Survey results will be shared with the community and project employees and further feedback solicited as we seek to continuously improve our relations with local stakeholders.


ATCO

Management's Discussion and Analysis of Financial Condition And Results Of Operations

This following management's discussion and analysis (MD&A) is dated February 22, 2007, and should be read in conjunction with the audited financial statements for the year ended December 31, 2006.

The MD&A is a review of our financial condition and results of operations. Our financial statements are prepared based upon Canadian generally accepted accounting principles (GAAP) and all amounts are in Canadian dollars unless specified otherwise. The following discussion also contains forward-looking statements and forward-looking information that involve numerous risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements and forward-looking information as a result of these risks and uncertainties. Readers should be aware that the list of factors, risks and uncertainties set forth in this document under "Risk Factors" are not exhaustive. Readers should refer to OPTI's current Annual Information Form (AIF), which is available at www.sedar.com, for a detailed discussion of these factors, risks and uncertainties. The forward-looking statements or information contained in this document are made as of the date hereof and OPTI undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable laws or regulatory policies.

Additional information relating to our company, including our AIF, can be found at www.sedar.com.

Financial Summary (1)

	Three months ended Dec. 31, 2006	Year ended Dec. 31, 2006	Year ended Dec. 31, 2005
Net loss	$ (11)	$ (10)	$ (2)
Capital expenditures incurred (2)	274	1,109	754
Working capital	554	554	134
Shareholders' equity	$ 1,444	$ 1,444	$ 1,382
Common shares outstanding (basic) (3)(4)	172.7	172.7	156.8

(1) Tabular amounts in millions of dollars and shares as applicable.
(2) Non-cash additions are excluded.
(3) After giving effect to the 2:1 share split to shareholders of record on June 1, 2006.
(4) Common shares outstanding after giving effect to common share options and common share warrants would be 187.0 million common shares.

Overview

OPTI is a Calgary, Alberta-based oil sands development company. We and our partner, Nexen Inc. (Nexen), formed a joint venture to develop integrated oil sands projects in Canada. Our initial project is Phase 1 of the Long Lake Project (the Project), scheduled to commence commercial operations in the fourth quarter of 2007. We own a 50 percent undivided interest in the Project, which upon completion will include the Long Lake steam assisted gravity drainage (SAGD) operation and the Long Lake Upgrader, each with expected capacities of approximately 72,000 barrels per day (bbl/d) of bitumen. The yield from bitumen produced from the Long Lake SAGD operation is expected to be approximately 57,700 bbl/d of Premium Sweet Crude (PSC™) and 800 bbl/d of butane. We expect PSC™ to be sold at a price similar to West Texas Intermediate (WTI) crude oil.

First steam injection is scheduled to commence near the end of the first quarter of 2007, and the Long Lake Upgrader is scheduled to begin PSC™ production in the fourth quarter of 2007. We are the operator of the Long Lake Upgrader, while Nexen is the operator of the Long Lake SAGD Operation.

The oil sands leases that support the Project are located in the Athabasca Oil Sands region of northeastern Alberta. The leases that we are currently developing as part of the Project are in an area commonly referred to as Long Lake. The Project area is comprised of 26 sections of land contained within the Long Lake leases that will support the Project. Additional leases are expected to be used for future expansion phases, and include a portion of the Long Lake leases and other lands in areas commonly referred to as Cottonwood and Leismer. Our goal is to build five additional phases beyond Phase 1 on our expansion lands and reach 180,000 bbl/d production capacity net to OPTI by 2020.

LONG LAKE PHASE 1: ON TRACK FOR FIRST SYNTHETIC VOLUMES IN 2007

Significant progress has been made on the Project. Construction of the SAGD facilities is essentially complete and commissioning activities are ongoing in preparation for first steam injection near the end of the first quarter of 2007. Bitumen production is anticipated to ramp-up to peak rates over a 12 to 24-month period with the first six months of SAGD operations primarily focused on heating the reservoir. By the end of 2007, we expect bitumen production rates of between 35,000 and 45,000 bbl/d (between 17,500 and 22,500 bbl/d net to OPTI) with a steam oil ratio (SOR) of below 4.0 as initial steaming of the reservoir takes place. During 2008, SAGD volumes are expected to continue to ramp-up with completion of additional steam facilities. Long Lake SAGD operations are expected to reach full design capacity of 72,000 bbl/d in late 2008 or early 2009. The long-term average forecast SOR for the Project is 3.0.

Upgrader construction, which intentionally lags SAGD to ensure sufficient bitumen production at start-up, is now approximately 80 percent complete. Upgrader start-up is scheduled in the third quarter of 2007 with first synthetic volumes anticipated to commence in the fourth quarter of 2007. Some systems are currently being turned over to operations with commissioning and start-up activities forecast to ramp-up over this summer. It is expected that the capacity of the Upgrader during ramp-up will enable us to process all the forecasted SAGD volumes. As a result, the Project is expected to be producing at full capacity of 58,500 bbl/d in late 2008 or early 2009.

Total expected cost to complete the Project remains $4.6 billion. At the end of the fourth quarter of 2006, approximately $3.8 billion had been incurred on the Project, $1.9 billion net to OPTI. With SAGD commissioning activities and Upgrader construction continuing, the remaining cost risks are primarily related to productivity and estimates in work hours required to complete the Project.

PLANNING FOR FUTURE GROWTH: PHASE 2 ADVANCES, DELINEATION ONGOING

In 2007, we plan to spend $145 million on up-front engineering of Phase 2 and additional delineation and evaluation to support future phases.

The south end of the Long Lake lease will be the location of the SAGD portion of Phase 2 of the Long Lake Project. An application for SAGD regulatory approval was submitted in late 2006 in preparation for potential project sanctioning in 2008. Regulatory approval is in place for the Phase 2 Upgrader. The Phase 2 Upgrader facilities are being designed to be built adjacent to that of Phase 1 to allow for integration and operational flexibility.

Development of the Phase 2 execution strategy, cost estimate and project schedule continues with the plan to reach a level of approximately 30 percent of engineering prior to sanctioning of the Project. This level of engineering is significantly higher than that of Phase 1 at the time the Project was sanctioned to ensure a high degree of certainty on cost and execution strategies, and maintain capital discipline in light of the highly active oil sands construction environment.

Phase 2 and future project phases will leverage the significant knowledge and experience gained in the development of previous phases. Each future phase is planned to be of a similar size and design to the Long Lake Project and to consist of integrated SAGD and OrCrude™ Upgrader projects. Efficiencies gained by repeating and improving upon existing execution plans without changing major process units are expected to result in savings relative to future engineering, module fabrication and on-site construction costs.

During the 2006-2007 winter season, a drilling program of 130 core holes and the shooting of 40 square miles of 3-D seismic is underway on our lands to advance future phases of growth. The program focuses on defining the location for the third phase of development to ensure adequate time is available for planning and regulatory approval.

We believe that incorporating environmentally responsible practices that meet or exceed regulatory requirements into strategic project planning leads to strong business results. An example of this is OPTI's proprietary integrated OrCrude™ process that substantially reduces the need for natural gas while upgrading bitumen to a high quality synthetic crude oil. Further, our Long Lake Project exceeds regulatory requirements in limiting the production of sulphur dioxide and nitrous oxide (NOx), and is one of the first SAGD projects to initiate the significant use of brackish water. We intend to continue to develop and implement environmentally responsible practices. We are researching the use of dry low NOx burners to reduce water requirements. In addition, we are investigating the feasibility of carbon dioxide (CO_2) capture as our gasifier positions us to collect CO_2 in a concentrated stream.

Resource Base Expands

OPTI and our joint venture partner, Nexen, jointly own three leases in the Athabasca Oil Sands region: Long Lake, Leismer and Cottonwood. Our goal is to build six phases on our expansion lands and reach 180,000 bbl/d production capacity net to OPTI by 2020. OPTI has continued to expand its reserve and resource base though drilling and land acquisitions. During 2006, we purchased interests in over 70 sections of land; we now own a 50 percent interest in over 370 sections of oil sands leases in the Athabasca region.

Long Lake, located about 42 kilometres southeast of Fort McMurray, consists of 98 sections of land and is the location of our Phase 1 oil sands project as well as the planned location for Phase 2. The specific locations of Phases 3 through 6 have yet to be determined. Leismer is located about 64 kilometres southwest of Long Lake and consists of 146 sections of land. Cottonwood is located 32 kilometres southwest of Long Lake and consists of 129 sections of land.

An independent evaluation of the Long Lake lands and a portion of the Leismer lands has been prepared by McDaniel & Associates Consultants Ltd. (McDaniel & Associates). The estimates for the Cottonwood lease and the remainder of the Leismer lands have been prepared internally.

RESERVES

The McDaniel & Associates evaluation of our Long Lake Phase 1 lands recognizes the impact of upgrading on the resources. Most of the raw bitumen will be upgraded and sold as PSC™ and butane, and is shown as synthetic crude oil or butane reserves. Bitumen will be sold upon start-up of SAGD operations prior to Upgrader start-up, and thereafter during periods of Upgrader downtime, and is shown as bitumen reserves. The following table shows OPTI's working interest in the raw bitumen reserves and the corresponding sales volumes at December 31, 2006.

		Gross sales volumes		
	Raw recoverable bitumen	PSC™ synthetic	Butane	Bitumen
All volumes are millions of barrels				
2006				
Proven	**243**	**184**	**3**	**14**
Proven plus Probable	**456**	**350**	**5**	**19**
Proven plus Probable plus Possible	**587**	**452**	**6**	**23**
The corresponding reserves estimates at December 31, 2005, were as follows:				
Proven plus Probable plus Possible	583	449	6	24

RESOURCES

In addition to our reserves, we estimate additional recoverable resources over the remainder of our Long Lake lease, as well as our additional leases at Leismer and Cottonwood.

	Raw recoverable bitumen (1)
All volumes are millions of barrels	
2006	
Remainder of Long Lake leases	**998**
Leismer (2)	**955**
Cottonwood (2)	**550**
Total	**2,502**
2005	
Total	2,053

(1) These estimates represent the "best estimate" of our initial resource estimates, are not classified or recognized reserves, and are in addition to our disclosed reserve volumes. We define resources, as opposed to reserves, as those quantities of bitumen estimated to be potentially recoverable from known accumulations but are classified as a resource rather than a reserve primarily due to less delineation and the absence of regulatory approvals, detailed design estimates and near term development plans.

(2) The estimate for the Cottonwood lease and a portion of the Leismer lease has been prepared by us and not reviewed by McDaniel & Associates.

Corporate Update

As previously announced, George Crookshank, Chief Financial Officer (CFO), has retired from full-time employment and resigned as CFO with the completion of OPTI's year-end 2006 financial statements. We thank him for his contributions in building OPTI. While the search process to locate his replacement is ongoing, OPTI's Board of Directors has appointed Travis Beatty, OPTI's corporate controller, as Interim Chief Financial Officer.

Results From Operations

PROJECT EXPENDITURES

The estimated total cost of the Project, including the related facilities for additional steam capacity and soot processing, is $4.6 billion. Our share of these costs is $2.3 billion, of which we have incurred $1.9 billion in cumulative expenditures. The table below identifies expenditures incurred by us in the referenced periods for the Project, other oil sands development and other capital expenditures.

Millions of dollars	Year ended 2006	Year ended 2005	Year ended 2004	Total 2004-2006
Long Lake Project Phase 1				
Upgrader	$ 476	$ 368	$ 171	$ 1,015
SAGD	440	310	153	903
Total Long Lake Project	916	678	324	1,918
Other oil sands activities	140	56	31	227
Other capital expenditures	53	20	13	86
Total cash expenditures	1,109	754	368	2,231
Non-cash additions	66	11	17	94
Total capital expenditures	$ 1,175	$ 765	$ 385	$ 2,325

CAPITAL EXPENDITURES

During the year ended December 2006, we had capital expenditures of $1,175 million. Expenditures on the Project of $916 million focused on the continuation of on-site construction. For SAGD construction, these costs were primarily incurred in the central plant, field facilities and cogeneration facilities. For Upgrader construction, these costs were primarily incurred in the OrCrude™, gasification, hydrocracker and sulphur facilities.

We also invested $140 million in other oil sands activities, $53 million in other capital expenditures and had $66 million of non-cash additions. Expenditures for other oil sands activities during the period relate to land acquisition, engineering costs, resource delineation and SAGD pilot operations. Other capital expenditures include $6 million of corporate capital costs and $47 million of capitalized interest and standby charges in connection with our long-term debt. The $66 million of non-cash additions relate primarily to $29 million net in capitalized foreign exchange losses with respect to the re-measurement of our USD denominated long-term debt and cash, capital leases of $17 million, capitalized future taxes of $13 million and an unrealized hedging loss of $5 million.

OPERATION OF THE PROJECT

Once we complete the construction of the Project and commence commercial operations, we expect that our revenues from the Project will primarily consist of PSC™ revenue and that our operating costs relating to the Project will primarily consist of labour, maintenance and the purchase of energy. Our results of operations will principally be driven by production rates, plant capacity and reliability, natural gas costs and oil prices. Our results of operations will also be affected by production factors, such as our success in recovering bitumen using the SAGD process and the Project's SOR.

2006 RESULTS FROM OPERATIONS

Interest Income

For the year ended 2006, interest income decreased to $10 million from $14 million in 2005. The decrease was due to a reduction in average cash and cash equivalent balances in 2006.

General and Administrative Expenses

For the year ended 2006, general and administrative (G&A) expenses increased to $10 million from $7 million in 2005. The increase in 2006 was due to increased levels of corporate staff and information technology expenditures.

Amortization and Accretion Expenses

For the year ended 2006, amortization and accretion expenses increased to $22 million from $5 million in 2005. The increase was due to the cancellation of two primary credit facilities in 2006. In the second quarter, we cancelled our subordinated debt facility which resulted in $3 million in amortization expense and in December we cancelled our Project Debt facility which resulted in a further $15 million in amortization expense.

Taxes

Capital taxes are $nil for the year ended 2006, compared with an expense of $2 million in 2005. During 2006, federal legislation was enacted that provided for the elimination of the large corporation tax effective January 1, 2006. Future tax expense for the year ended 2006 is a recovery of $12 million compared with an expense of $2 million in 2005. The recovery in future tax expense in 2006 was primarily due to a reduction in the applicable tax rate from 33.6 percent to 29.0 percent and an increase in amortization of deferred financing charges.

FOURTH QUARTER OF 2006

In the fourth quarter, we completed a series of financing transactions. We completed a flow-through share offering for gross proceeds of $40 million to fund ongoing resource delineation activities. We issued USD $1,000 million of Senior Secured Notes (Notes) to institutional investors and used a portion of the proceeds to repay the amount outstanding under the Project Debt facility of $484 million. Proceeds net of this repayment were added to working capital and used to pre-fund interest payments in respect of the Notes to the end of 2008. We also established a $500 million Revolving Credit Facility (Revolver) which remained undrawn at year end.

In addition, we invested $274 million in the Project and other oil sands development in the fourth quarter. We had a net loss in the fourth quarter of $11 million which was primarily due to the amortization of deferred financing charges related to our Project Debt facility that was cancelled during the quarter.

Revenues

As we have not yet completed the Project, our historical revenues have consisted entirely of interest income. Interest income consists of interest on cash, cash equivalents and short-term investments and is affected by average balances of interest-bearing instruments and associated interest rates.

Expenses

Our expenses have historically consisted of G&A expenses, amortization and accretion expenses and income taxes. G&A expenses primarily consist of salaries and information technology costs. Amortization and accretion expenses primarily relate to amortization of deferred financing charges and amortization of corporate assets. Income taxes consist of capital taxes and future tax expense or recovery. We do not currently pay income taxes. The timing of the payment of income taxes in the future will be primarily influenced by the construction cost of the Project, commodity prices, foreign exchange rates, operating costs, interest rates and future phase activities.

Selected Annual Information

Millions of dollars, except per share amounts	2006	2005	2004
Interest income	$ 10	$ 14	$ 16
Net earnings (loss)	(10)	(2)	1
Earnings (loss) per share, basic and diluted (1)	(0.06)	(0.01)	–
Total assets	3,374	1,585	1,322
Total long-term financial liabilities	$ 1,690	$ nil	$ nil

(1) After giving effect to the 2:1 share split for shareholders of record on June 1, 2006

The amount of interest income in each year is primarily the result of the amount of cash and cash equivalent available for investments. The amount of cash and cash equivalent is influenced by the size and nature of financing activities and level of investing activities during the period. Earnings has also been influenced by increased levels of G&A and fluctuating tax expense, as well as amortization and accretion expense that increased significantly in 2006 due to the cancellation of various credit facilities.

Summary Financial Information

Millions of dollars, except per share amounts	2006 Q4	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	2005 Q2	2005 Q1
Interest income	$ 4	$ 3	$ 2	$ 1	$ 2	$ 4	$ 4	$ 4
Net earnings (loss)	(11)	(1)	4	(2)	(1)	(1)	(–)	–
Earnings (loss) per share, basic and diluted (1)	$ (0.06)	$ (–)	$ 0.02	$ (0.01)	$ (0.01)	$ (–)	$ (–)	$ –

(1) After giving effect to the 2:1 share split for shareholders of record on June 1, 2006

Quarterly variations in interest income are primarily the result of the amount of cash and cash equivalent available for investments. The amount of cash and cash equivalent is influenced by the size and nature of financing activities and level of investing activities during the period. Earnings have also been influenced by increased levels of G&A and fluctuating tax expense. We recorded a $15 million increase in the amortization of deferred financing charges during the fourth quarter of 2006 which increased our loss during the period.

Liquidity and Capital Resources

LIQUIDITY

OPTI's financial structure changed significantly over the course of 2006.

In the first quarter we served notice of redemption on $185 million of preferred shares outstanding. All holders elected to convert their holdings into common shares and as a result no preferred shares are outstanding and the liability relating to future dividend payments was transferred to common shares.

In the second quarter, OPTI closed a USD $450-million Term Loan B facility (TLB). Proceeds from this offering were initially added to working capital and were used to fund costs associated with Phase 1, future phases of development and to pre-fund interest payments on the TLB through to December 2008. The TLB initially had a first lien on certain oil sands leases and a second lien on the assets of Phase 1. Through an amendment approved in the fourth quarter, TLB holders have a first lien security on all company assets. The TLB matures in 2013 and bears interest at the London Interbank Offered Rate (LIBOR) plus 2 percent.

In the fourth quarter we completed a flow-through share offering resulting in the issuance of 1.77 million common shares at a price of $22.80 per common share for gross proceeds of $40 million. These funds were added to working capital and will be used to fund core hole drilling and delineation activity on our leases.

Due to the proximity to start-up of operations in 2007 and the opportunity to establish a long-term debt facility, we issued USD $1,000 million of 8.25 percent Notes to institutional investors in December. Proceeds from this offering were used to repay $484 million of borrowings under our Project Debt facility which was subsequently cancelled. The balance of the proceeds was added to working capital and to pre-fund interest on the Notes through to December 2008. The Notes have a second priority interest on all company assets, mature in 2014 and are non-callable until 2010.

In respect of the TLB and the Notes, we will be subject to certain financial covenants. Under the terms of these agreements, there are current restrictions with respect to the incurrence of additional debt, payment of dividends and asset sales. In addition, commencing in the first quarter of 2009, we will be subject to maintaining interest coverage and future debt limitations in relation to earnings before interest, taxes, depreciation and amortization (EBITDA) under the terms of the TLB.

In December, OPTI closed a $500-million Revolver with a syndicate of banks. The Revolver has a first priority interest on the assets of the Company and ranks equally with the TLB Facility. The Revolver matures in 2011 and has not been utilized. It will bear interest at the prime rate, bankers' acceptance rate or LIBOR plus a spread above the reference rate between 1 percent and 2 percent.

OPTI's current ratings from Standard and Poor's (S&P) and Moody's Investor Service (Moody's) for the TLB and the Revolver are BB+ and Ba3, for the Notes BB and B1, and for the Company BB and Ba3, respectively.

CAPITAL RESOURCES

We have not had any revenue from the commercial development of bitumen or PSC™ as the commercial operations of the Project are not planned to commence until late 2007. To date, the Project, expenditures on future phases and corporate costs have been funded through the issuance of a combination of debt and equity. At December 31, 2006, our capital resources included total working capital of $554 million and an undrawn $500 million Revolving Credit facility. Working capital consists of cash and short-term investments of $574 million, the current portion of the interest reserve account of $130 million and a non-cash working capital deficiency of $150 million. In addition, OPTI has $146 million of pre-funded interest not included in working capital in relation to the TLB and the Notes. The total amount in the interest reserve account, including the current portion, is expected to cover all interest payments in respect of these facilities until December 31, 2008.

We are estimating total capital expenditures of $817 million in 2007. We estimate expenditures of $379 million in connection with the completion of the Project and $145 million for up-front engineering of Phase 2 and additional delineation and evaluation to support future phases. In addition, we anticipate expenditures of $36 million for corporate and sustaining capital. Prior to the commencement of commercial synthetic volumes, expected in the fourth quarter of 2007, we anticipate capitalizing operating costs of $140 million and associated revenue of $103 million, resulting in net capitalized costs of $37 million. Projected interest costs associated with borrowings to finance the Project and future phases of approximately $117 million will also be capitalized in 2007.

Future financing requirements depend on the final costs of Phase 1 and the timing and cost estimate for Phase 2 and future phases. We expect our current financial resources, including our available working capital, Revolving Credit facility and pre-funded interest account, will allow for completion of Phase 1 and funding for up-front planning of future phases. Funding requirements in 2008 and future years will be determined by cash flow from operations, estimated costs for future phases and the timing of the expenditures.

Upon the commencement of commercial operations, which is expected to be in the fourth quarter of 2007, operating cash flow will play an important role in financing a portion of the costs of our multi-stage expansion plans. Cash flow in the latter part of 2007 will be impacted by the final cost of the Project, timing of commencement of operations, the rate of ramp-up of operations during the start-up phase, natural gas costs and oil prices.

Key factors that will affect long-term cash flow include production rates, plant capacity and reliability, natural gas costs and oil prices. Our planned future expansions are expected to be financed by a combination of cash flow from the Project and additional debt and/or equity. Certain capital expenditures for these expansions are planned in 2007 prior to commencement of commercial operations of the Project. In addition, our capital expenditures may be greater than our operating cash flow in 2008. The amount of debt and equity required will be impacted by factors noted. There can be no assurance that we will be able to complete these future financings with terms acceptable to us.

We currently do not have the capital resources necessary to complete our future phases. We will need to generate cash flows from operations and complete additional debt and/or equity financings to obtain the funds necessary to complete future phases.

We have $202 million of call obligations. The call obligations consist of unconditional and irrevocable call options whereby the Company, at its option, can require a subscription for either a convertible preferred share or a common share for the face amount of the call obligation. The Company can exercise the call obligations at any time until the earlier of completion of the Long Lake Project and June 30, 2008. The exercise price per share of the call obligations is $2.20 per share and should OPTI exercise its options, it would result in the issuance of 91.8 million additional common shares and gross proceeds of $202 million.

Contractual Obligations and Commitments

The following table shows our contractual obligations and commitments due during the next five years and thereafter as at December 31, 2006.

Millions of dollars	Total	< 1 year	1-3 years	3-5 years	More than 5 years
Contracts and purchase orders (1)	$ 144	$ 144	$ –	$ –	$ –
Long-term debt (2)	1,690	–	5	10	1,675
Capital leases (3)	160	12	33	20	95
Total commitments	$ 1,994	$ 156	$ 38	$ 30	$ 1,770

(1) Consists of our share of future commitments associated with contracts and purchase orders in connection with the Project and our other oil sands activities

(2) Consists of USD $450 million outstanding under our Term Loan facility and USD $1,000 million under the Notes. The amounts represent only scheduled principal repayments. In addition, we are contractually obligated for interest payments on borrowings under our long-term debt and standby charges in respect of undrawn amounts under the Revolver which are not reflected in the above table. In respect of the Notes, annual interest of USD $82 million is due until 2014. In respect of the TLB, annual interest will be approximately USD $35 million using 2006 year-end interest rates.

(3) Consists of our share of payments under two product transportation agreements with respect to future tolls during the initial contract term. We anticipate that the future tolls under these agreements will be funded by operating cash flow.

Share Capital

At January 31, 2007, the Company had 172,684,304 common shares, 3,104,000 common share warrants, and 8,143,938 common share options outstanding. The common share options have a weighted average exercise price of $11.70 per share and each common share warrant entitles the holder to purchase two common shares at a price of $14.75 each.

At January 31, 2007, including instruments where the option to exercise resides with the holder, OPTI's fully diluted shares outstanding is 187,033,242. This fully diluted number includes common shares outstanding, common share options, and common share warrants.

Control Certification

We have designed our disclosure controls and procedures to provide reasonable assurance that material information related to us is included in our annual filings. In addition, we have evaluated the effectiveness of our disclosure controls and procedures as of the end of 2006 and concluded that these controls are effective at the "reasonable assurance" level.

Critical Accounting Estimates

Our critical accounting estimates are estimates that have, or could have, a material impact on results of operations or financial position. These estimates require management to make assumptions and estimates in the application of Canadian GAAP. These assumptions and estimates are based on historical experience and information available to management at each financial statement date. Based on the information available and past experience, management makes estimates that it believes to be reasonable. As circumstances change and additional information becomes available, these estimates may be subject to change. Many estimates are made in the preparation of our consolidated financial statements, but the following are considered critical accounting estimates used in the preparation of our financial statements.

CAPITAL ASSETS

We capitalize costs in connection with the development of oil sands projects. The measurement of these costs at each financial statement date requires estimates to be made in respect of construction progress, modular construction, materials procurement, drilling progress and engineering progress. An increase in the measurement of these items would increase our property plant and equipment and accrued liabilities accordingly.

Capital assets are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable from estimated future cash flows. The calculation of these future cash flows are dependent on a number of estimates, including reserves, production volumes, facility performance, commodity prices, operating cost estimates and foreign exchange rates. An impairment loss would be recognized in earnings in the period in which capitalized costs exceeded estimated future cash flows.

In addition, the quantity of reserves is subject to a number of estimates, including assessment of engineering data, projected future rates of production, characteristics of bitumen reservoirs, commodity prices, foreign exchange rates, operating costs and future capital expenditures. These estimates are uncertain as we do not have any commercial production history to assist in the development of these estimates. However, all reserve and associated financial information is evaluated and reported on by a firm of qualified independent reserve engineers.

ASSET RETIREMENT OBLIGATION

We measure asset retirement obligations and the corresponding asset at each financial statement date. The estimate is based on our share of costs to reclaim the Long Lake Project as well as other resource development associated with future phases. The liability is primarily related to facility, and site reclamation and SAGD drilling reclamation. We prepare an estimate of the amount, timing and inflation of the associated abandonment costs and then apply a credit-adjusted risk-free rate to arrive at the present value of the future liability. Due to the long-term nature of current and future project developments, abandonment costs will be incurred over many years in the future. As a result of these factors, different estimates for such abandonment costs could be used. An increase in the amount of future abandonment costs, or inflation, or an assumption of earlier abandonment would cause the asset retirement obligation and corresponding asset to increase. These changes would also cause future accretion expenses to increase and earnings to decrease.

FUTURE TAXES

We measure our future tax liability based on estimates of temporary differences between our book and tax assets. In addition, an estimate is required for both the timing and tax rate of this reversal. Should these estimates change, it could impact the measurement amount of our liability as well as future tax expense and earnings. These estimates would not impact cash flow from operations.

Accounting Policies

During 2006, OPTI adopted a policy to account for restricted cash in relation to our interest reserve account held to fund future long-term debt interest payments. The accounting policy with respect to the interest reserve account determined the presentation of the restricted cash balance. The current portion of the interest reserve account relates to interest amounts due within one year.

During 2006, OPTI adopted a policy in respect of its USD-denominated long-term debt. Prior to the commencement of commercial operations, foreign exchange gains or losses are capitalized and accordingly the gain or loss on the revaluation is not recorded in earnings in the period of the revaluation. The adoption of the accounting policy resulted in the capitalization of a foreign exchange loss of $30 million.

During 2006, OPTI adopted a policy with respect to capitalization of hedging gains and losses. Prior to the commencement of commercial operations, OPTI capitalizes hedging gains or losses in relation to the fair market valuation of its interest rate swaps that have not been designated for hedge accounting. The adoption of the accounting policy resulted in the capitalization of an unrealized hedging loss of $5 million in 2006.

New Accounting Pronouncements

The Canadian Institute of Chartered Accountants (CICA) has issued a new accounting standard, CICA Accounting Standard Handbook section 3855, "Financial Instruments Recognition and Measurement." This standard prescribes how and at what amount financial assets, financial liabilities and non-financial derivatives are to be recognized on the balance sheet. The standard prescribes fair value in some cases while cost-based measures are prescribed in other cases. It also specifies how financial instrument gains and losses are to be presented. The new standard is effective for us beginning January 1, 2007. As a result of this pronouncement, we expect that $38 million of deferred financing charges on our balance sheet at December 31, 2006, will be written off with a corresponding reduction to our opening deficit.

Risk Factors

RISK FACTORS DURING CONSTRUCTION

Cost and Schedule Risk

The Project requires experienced employees and contractors with particular areas of expertise. There can be no assurance that all of the required employees or contractors with the necessary expertise will be available as there are other oil sands projects in Alberta under construction in 2007, and future periods and significant expansions have been announced by various oil sands developers. This is expected to create a high level of industry activity which will reduce availability of labour and other resources required to complete the Project.

We will compete with these other projects for experienced employees and contractors. We may experience shortages of specialized labour, labour disruptions and increases to compensation paid to such employees and contractors.

Productivity of construction personnel is an important factor in maintaining progress within our current budget. Should productivity be less than planned, it may result in an increase to the quantity of labour required. Should low productivity occur, it may result in an increase to our costs and may delay the completion of the Project.

The final cost and completion date of our Project could be adversely impacted by these factors.

Commodities Risk

During 2007 and prior to the commencement of planned integrated commercial operations, we will have significant exposure to natural gas prices during SAGD ramp-up. During this period, virtually all of the energy required to generate steam will be from the purchase of natural gas. After the start-up of the Long Lake Upgrader in the fourth quarter of 2007, this exposure will be reduced as the Upgrader is expected to generate syngas which will be used instead of natural gas.

Prior to Upgrader start-up, we will be producing raw bitumen from the SAGD process. These bitumen barrels will be blended with a purchased diluent (bitumen blend) and sold on our behalf by Nexen. The price of purchased diluent will approximate WTI. The price we receive for this bitumen blend will be at a discount to WTI, which may vary widely and may be at a significant discount to WTI.

The final cost of our Project could be adversely impacted by these factors.

RISK FACTORS DURING OPERATIONS

Operating Risk

The performance of either the SAGD operation or the Long Lake Upgrader may differ from our expectations. SAGD start-up requires a significant amount of steam to be injected into the reservoir in order to heat the bitumen sufficiently to allow for production. There are many factors related to the characteristics of the reservoir and steam-generating facilities that could cause bitumen production to be lower than anticipated.

The Upgrader is comprised of a number of facilities that upgrade bitumen, in part using high pressure and temperature. There are inherent risks in the start-up and commissioning process of our facility. The introduction and processing of hydrocarbons requires intensive planning and execution expertise. Problems during this process could result in increases to cost, delays in schedule or damage to facilities. All of these factors would negatively affect our results from operations.

Natural Gas

During commercial operations, we will require a significant amount of natural gas to provide energy to generate steam for the SAGD operation. The integrated Project design has mitigated a large amount of the risk as syngas is produced through the gasification process and is used to provide energy to the steam generation facilities. The amount of third party natural gas purchases required is largely determined by the SOR that is required for SAGD production. If the SOR is higher than anticipated, we may be required to purchase natural gas beyond existing forecasted levels at prevailing market rates. This would cause our operating costs to increase and reduce our earnings.

Oil Prices and Foreign Exchange

Our future financial results will be dependent upon the prevailing price of crude oil. Oil prices fluctuate significantly in response to regional, national and global supply and demand factors beyond our control. Political and economic developments around the world can affect world oil supply and oil prices. The price received for our planned sales product, a premium synthetic crude oil, will also be influenced by its quality, and regional supply and demand.

The Long Lake Upgrader will ultimately produce a fully upgraded product called PSC™. The price we will receive for PSC™ will be dependent on the demand for it. PSC™ will compete against other synthetic crude oils and conventional crude oils. Although we expect PSC™ to trade at a price similar to WTI, PSC™ will be a new synthetic crude oil product and no assurance can be given as to its price and marketability. We have engaged Nexen Marketing, who has extensive experience in marketing synthetic crude, to sell all of our production from the Long Lake Project.

After the Upgrader start-up, we may be unable to upgrade the bitumen produced by the Project and may have few options available other than to sell bitumen. Bitumen or bitumen blend is not as readily marketable as conventional light oil, and market prices are lower for bitumen blend on a comparable basis.

As well, our future results of operations will be impacted by certain factors outside of our control, such as the gravity and quality of the bitumen produced from the Long Lake leases, which can ultimately determine the amount of syngas and PSC™ produced from the Long Lake Upgrader.

Crude oil prices are generally based on a U.S. dollar market price, while most of our operating and capital costs are denominated in Canadian dollars. Fluctuations in exchange rates between the U.S. and Canadian dollars may give rise to foreign currency exchange exposure. Therefore, changes in the exchange rate will affect the price we receive for PSC™. To date, we have not entered into any pricing agreements that would mitigate the risk of fluctuations in oil prices or foreign exchange rates. Our foreign exchange risk related to revenue is mitigated in part by our $1.45 billion USD debt and associated USD interest payments.

PROJECT DEVELOPMENT RISK

Reserves and Resources

There are numerous uncertainties inherent in estimating quantities of reserves and resources, including many factors beyond OPTI's control, and no assurance can be given that the indicated level of reserves or resources or recovery of bitumen will be realized. In general, estimates of resources and of economically recoverable bitumen reserves are based upon a number of factors and assumptions made as of the date on which the reserve and resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable bitumen, the classification of such reserves based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially. Certain resource estimates contained in this document were prepared internally by OPTI and Nexen and have not been evaluated by an independent reserves evaluator.

The estimates in this document with respect to reserves and resources that may be developed and produced in the future have been based upon volumetric calculations and upon analogy to similar types of reserves and resources, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves and resources based upon production history will result in variations, which may be material, in the estimated reserves and resources.

Reserve and resource estimates may require revision based on actual production experience. Such figures have been determined based upon assumed oil prices and operating costs. Market price fluctuations of oil prices may render uneconomic the recovery of certain grades of bitumen. Moreover, short-term factors relating to oil sands resources may impair the profitability of the Project in any particular period.

Should the reserve estimate change in future periods, there could be a material impact on the fair value of OPTI's securities, its results of operations and its ability to obtain financing.

Regulations

We are subject to extensive Canadian federal, provincial and local laws and regulations governing exploration, development, transportation, production, exports, occupational health, protection and reclamation of the environment, safety and other matters.

The Alberta government has announced that it plans to review the current royalty regulations for oil sands development. It is possible that this review will increase the absolute rate of royalties payable or the timing under which an increased royalty would be payable. Should either of these occur, we would be paying more royalties than under current regulations which would reduce our earnings and cash flow.

Completed phases of the Project will produce carbon dioxide or other greenhouse gases. The federal government has introduced into Parliament the Clean Air Act. It is possible that future legislation with respect to greenhouse gases will be introduced. This may require additional funding or facilities to comply with such legislation.

Future Phases

OPTI has announced a phased development for up to six phases of projects of a similar size as the Long Lake Project. The development of these phases is subject to a number of risks, primarily in the areas of resource extent and quality, cost, execution and regulatory approval. If the estimates of costs to complete these future phases are higher than anticipated, these future phases may be deferred or cancelled. The execution of these future phases requires specialized labour, module construction, engineering expertise and construction management. As oil sands development in Alberta is at unprecedented levels of activity, some or all of these resources may not be available to us on the schedule that we require, which could delay development. We have regulatory approval for the second phase Upgrader, but do not have regulatory approval for any future phase of SAGD development or Upgraders. These regulatory approvals may delay or restrict our development of future phases.

Financing Risk

The development of oil sands projects in connections with the Project and our multi-stage expansion plan requires a significant amount of capital investment that occurs over a number of years. Certain capital expenditures for these expansions are necessary in 2007 prior to commencement of commercial operations of the Project. In addition, our capital expenditures are expected to be greater than our operating cash flow in 2008. We currently do not have the capital or committed financing necessary to complete the future phases and we will need to complete additional debt or equity financing to obtain the funds necessary to complete future phases.

Forward-Looking Statements

RESERVES AND RESOURCES ESTIMATES

The estimates of resources and of economically recoverable bitumen reserves contained herein are forward-looking statements. The estimates are based upon a number of factors and assumptions made as of the date on which the reserve and resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. The estimates contained herein with respect to reserves and resources that may be developed and produced in the future have been based upon volumetric calculations and upon analogy to similar types of reserves and resources, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves and resources based upon production history will result in variations, which may be material, in the estimated reserves and resources.

OTHER FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking statements, including statements relating to: OPTI's operations; anticipated financial performance; business prospects, expansion plans and strategies; OPTI's plans and expectations concerning the use and performance of the OrCrude™ process and other related technologies; the cost, development and operation of the Long Lake Project and OPTI's relationship with Nexen Inc. Statements concerning resources and reserves are also forward-looking statements, as they reflect estimates as to the volume and nature of petroleum deposits that are expected to be found present when a project is developed, and, in the case of reserves, the expectation that the deposits can be economically exploited in the future. Forward-looking information typically contains statements with words such as "anticipate," "estimate," "expect," "potential," "could" or similar words suggesting future outcomes. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that expectations, predictions, forecasts, projections and other forms of forward-looking information will not be achieved by OPTI. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties. A change in any one of these factors could cause actual events or results to differ materially from those projected in the forward-looking information. Although OPTI believes that the expectations reflected in such forward-looking statements are reasonable, OPTI can give no assurance that such expectations will prove to be correct. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by OPTI and described in the forward looking statements or information. The forward-looking statements are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified herein, we have made assumptions regarding, among other things: market costs and other variables affecting operating costs of the Project; the ability of the Long Lake joint venture partners to obtain equipment, services and supplies, including labour, in a timely and cost-effective manner; the availability and costs of financing; oil prices and market price for the PSC™ output of the OrCrude Upgrader, foreign currency exchange rates and hedging risks; government regulations and royalty regimes; the degree of risk that governmental approvals may be delayed or withheld; other risks and uncertainties described elsewhere in this document or in OPTI's other filings with Canadian securities authorities.

Readers should be aware that the list of factors, risks and uncertainties set forth above are not exhaustive. Readers should refer to OPTI's current annual information form, which is available at www.sedar.com, for a detailed discussion of these factors, risks and uncertainties. The forward-looking statements or information contained in this document are made as of the date hereof and OPTI undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable laws or regulatory policies.

2006

financial statements

Management's Report

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies described in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors, appointed by the shareholders of the Company, have examined the consolidated financial statements and have expressed an opinion on the statements. Their report is included with the consolidated financial statements.

The Board of Directors of the Company has established an Audit Committee, consisting of independent non-management directors, to review financial statements with management and the auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Sid W. Dykstra
President & Chief Executive Officer

George Crookshank
Chief Financial Officer

Calgary, Alberta
February 22, 2007

Auditors' Report

To the Shareholders of OPTI Canada Inc.

We have audited the consolidated balance sheets of OPTI Canada Inc. as at December 31, 2006 and 2005 and the consolidated statements of earnings (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
February 22, 2007

Consolidated Balance Sheets

OPTI Canada Inc.

As at December 31 Thousands of dollars	2006	2005
ASSETS		
Current		
Cash and cash equivalents	$ 536,666	$ 205,666
Short-term investments	37,097	49,838
Accounts and other receivables	7,663	7,144
Interest reserve account	130,389	–
	711,815	262,648
Interest reserve account	146,241	–
Deferred financing charges	38,428	19,462
Property, plant and equipment (NOTE 3)	2,477,898	1,302,860
	3,374,382	1,584,970
LIABILITIES		
Current		
Accounts payable and accrued liabilities	157,844	128,816
Long-term debt (NOTE 4)	1,689,685	–
Future income taxes (NOTE 5)	47,040	31,328
Obligation under capital lease	25,550	8,730
Other long-term liabilities (NOTE 6)	10,658	34,030
	1,930,777	202,904
SHAREHOLDERS' EQUITY		
Capital stock (NOTE 7)	1,431,015	1,358,673
Warrants	15,686	15,855
Contributed surplus	9,357	9,775
Deficit	(12,453)	(2,237)
	1,443,605	1,382,066
	$ 3,374,382	$ 1,584,970

Commitments (NOTE 9)

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On behalf of the Board of Directors,

Sid W. Dykstra
February 22, 2007

Robert G. Puchniak

Consolidated Statements of Loss and Deficit

OPTI Canada Inc.

Years ended December 31	2006	2005
Thousands of dollars, except per share amounts		
Interest income	$ 10,400	$ 14,469
Expenses		
General and administrative	10,027	6,881
Amortization and accretion	22,291	4,700
	32,318	11,581
Earnings (loss) before taxes	(21,918)	2,888
Income taxes (NOTE 7)		
Capital taxes	(14)	2,417
Future tax expense (recovery)	(11,688)	2,220
	(11,702)	4,637
Net loss	(10,216)	(1,749)
Deficit – beginning of year	(2,237)	(488)
Deficit – end of year	$ (12,453)	$ (2,237)
Loss per share, basic and diluted	$ (0.06)	$ (0.02)

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31	2006	2005
Thousands of dollars		
Cash provided by (used in)		
Operating activities		
Net loss	$ (10,216)	$ (1,749)
Items not affecting cash		
Amortization and accretion expense	22,291	4,700
Stock-based compensation expense	1,014	568
Future tax expense (recovery)	(11,688)	2,220
	1,401	5,739
Asset retirement costs incurred	(22)	(11)
Net change in non-cash working capital	(2,060)	(2,552)
	(681)	3,176
Financing activities		
Increase in long-term debt	2,486,284	–
Repayments of long-term debt	(836,000)	–
Proceeds from share issuances	55,278	249,389
Deferred financing charges	(40,392)	(1,904)
Securities issuance costs	(914)	(11,698)
Net change in non-cash working capital	5,553	1,500
	1,669,809	237,287
Investing activities		
Property, plant and equipment additions	(1,108,798)	(753,703)
Decrease in short-term investments	12,741	374,512
Increase in interest reserve account	(270,109)	–
Net change in non-cash working capital	24,962	14,394
	(1,341,204)	(364,797)
Foreign exchange gain on cash and cash equivalents held in foreign currency	3,076	–
Increase (decrease) in cash	331,000	(124,334)
Cash and cash equivalents – beginning of year	205,666	330,000
Cash and cash equivalents – end of year	$ 536,666	$ 205,666

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

Tabular amounts are in thousands of dollars

OPTI Canada Inc. (OPTI or the Company) is a public Canadian company with its shares listed for trading on the Toronto Stock Exchange (Symbol: OPC). OPTI's primary activity is the Long Lake Project (the Project), in which OPTI has a 50 percent working interest. The first phase consists of 72,000 barrels per day (bbl/d) of SAGD (steam assisted gravity drainage) oil production integrated with an upgrading facility, using OPTI's proprietary OrCrude™ process and commercially available hydrocracking and gasification technology. The Project is planned to produce 58,500 bbl/d of products, primarily Premium Sweet Crude oil (PSC™). OPTI is engaged in the development and construction of the Long Lake Project and is planning to develop three additional future phases in the oil sands in which OPTI currently has a 50 percent interest. OPTI anticipates its first commercial operations in late 2007.

a) Consolidation

These statements include the accounts of OPTI and its wholly owned subsidiaries.

b) Property, plant and equipment

(i) Petroleum and natural gas properties

The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized. Costs include land acquisition costs, geological and geophysical costs, carrying charges on non-productive properties, costs of drilling both productive and non-productive wells, costs of testing the bitumen upgrading process and related overhead pre-operating charges. The capitalized costs, less undeveloped land costs, are depleted using the unit-of-production method based upon estimated proved reserves before royalties. To date, no depletion has been recorded as commercial operations have not commenced.

Impairment is recognized if the carrying amount of the property, plant and equipment (PP&E) exceeds the sum of the undiscounted cash flows expected to result from proved reserves (ceiling test). Cash flows are calculated based on an estimate of future prices. In circumstances of impairment, the impairment would be calculated as the amount by which carrying amounts of the PP&E exceed the net present value of future cash flows from proved plus risked probable reserves. The risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying value above the net present value of the Company's future cash flows would be recorded as a permanent impairment. The cost of unproved properties and major development projects are excluded from the ceiling test calculation and subject to a separate impairment test. In circumstances of impairment, the impairment would be calculated as the amount by which carrying amounts of the PP&E exceed the net present value of future cash flows. Management has reviewed the valuation of the Long Lake Project and other oil sands properties and estimates that the fair market value of these properties exceeds their carrying amount.

Operating costs, net of revenues in relation to activities that are considered to be in the development stage, are capitalized. Judgement is required to determine whether operations are in the development stage. The factors considered include, whether commercially viable production levels have been achieved, whether the plant is producing a saleable product, whether the plant is operating at pre-determined operating levels in relation to commercial operations or other factors as circumstances warrant. Once the operations are no longer considered development stage, revenue is recognized and operating costs are recorded in earnings during the year.

Proceeds from the sale of oil and gas properties reduce PP&E, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

(ii) Asset retirement obligations

The Company recognizes the fair value of the liability for asset retirement obligations in the period it is incurred with a corresponding increase to the carrying amount of the related asset. The initial obligation recognized is accreted over time until the future period in which the obligation is settled. The related asset will be amortized over its estimated useful life using straight line or the unit of production method once commercial operations commence.

(iii) Corporate assets

Corporate assets are recorded at cost less accumulated amortization which is calculated using the declining balance method at rates of 30 percent to 50 percent per annum.

(iv) Capitalized interest

Prior to the commencement of commercial operations, the Company capitalizes interest costs in relation to its long-term debt for major development projects.

c) Joint venture

A significant portion of the Company's activities are conducted within a joint venture. The accounts reflect the Company's proportionate interest in such activities.

d) Cash and cash equivalents

Cash and cash equivalents include cash, and money market instruments that carry terms less than 91 days at the date of investment.

e) Short-term investments

Short-term investments include money market investments with maturities greater than 90 days and are carried at the lower of cost and market.

f) Deferred financing charges

The Company has capitalized costs in relation to its long-term debt. Costs will be amortized straight line over the term of the facilities which expire in 2013 and 2014.

g) Leases

Leases that transfer substantially all the benefits, risks and rewards of ownership to the Company are recorded as capital leases and classified as PP&E with a corresponding increase to obligations under capital leases. Amortization will be recorded upon commencement of commercial operations. All other leases are classified as operating leases under which leasing costs are expensed in the period incurred.

h) Income taxes

The Company uses the liability method of accounting for income taxes. Future tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance. Future taxes are measured based on substantially enacted tax rates in the period in which the temporary differences are expected to be realized or settled. If there is uncertainty in the realization of a tax asset, a valuation allowance reduces or eliminates the tax asset that is recorded.

i) Flow-through shares

Tax deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Share capital is reduced, with a corresponding increase to the future tax liability, by the estimated cost of the tax deductions when such deductions are renounced to the investors.

j) Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect on the balance sheet date. Other assets and related depreciation, depletion and amortization, other liabilities and expenses are translated at rates in effect at the date of the transaction. Prior to the commencement of commercial operations, the Company capitalizes foreign exchange gains or losses in relation to the revaluations of its US dollar denominated cash and cash equivalents and long-term debt used for major development projects. Exchange gains and losses resulting from operating activities are included in earnings.

k) Financial instruments

The equity and financial liability components of convertible equity instruments are presented separately in accordance with their substance. The financial liability component is accreted by way of a charge to earnings.

l) Stock-based compensation plans

Stock options granted to directors, officers, employees and consultants are accounted for using the fair value method under which compensation expense is recorded based on the estimated fair value of the options at the grant date using the Black-Scholes option pricing model. Compensation cost is either expensed or capitalized over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital.

m) Earnings (loss) per share

Earnings (loss) per share is calculated using net earnings or loss and the weighted average number of common shares outstanding during the year. The weighted average number of common shares of all classes outstanding during the year ended December 31, 2006 is 169.6 million (December 31, 2005 – 153.2 million). The Company uses the treasury stock method of calculating diluted earnings or loss per common share. The effects of potential stock option and warrant exercises on loss per share are not dilutive.

n) Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the balance sheet date which are based on information available to management at each financial statement date. Actual results could differ from those estimated.

The estimate of the percentage of completion of various projects at the financial statement date affects PP&E additions and the related accrued liability. Various estimates are required in consideration of impairment of costs capitalized for the Long Lake Project and other resource assets. Consideration of impairment includes estimates relating to overall Project costs, future cash flows, regulatory approval, Project timing, commodity prices, the general economic environment, and the ability to finance future activities through the issuance of debt or equity.

The estimate related to asset retirement obligations requires estimates of the amount and timing of future abandonment liabilities, inflation, and interest rates. The recognition of amounts in relation to stock-based compensation requires estimates related to valuation of stock options at the time of issuance, which encompasses estimates regarding expected volatility of the Company's share price, expected dividends to be paid by the Company and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements for current and future periods could be significant.

o) **Interest reserve account**

Cash is considered to be restricted when its availability is limited to a specified purpose. At December 31, 2006, the Company's restricted cash balance is in connection with the Term Loan B facility and the Senior Secured Notes. The loan agreements require the Company to establish an account to pre-fund anticipated interest payments through to December 31, 2008. The current portion of the interest reserve account relates to amounts due within one year.

p) **Financial instruments**

Under AcG-13 when a company enters into a hedge it formally assesses both at the inception of the hedge and on an ongoing basis whether the hedge is highly effective in offsetting the fair value or the cash-flows of the hedged item. If these criteria are met, the hedge is not recognized on the balance sheet. Realized gains or losses on such contracts are recognized in income in the same period in which the cash flows associated with the hedged transactions are recognized. In the event that a derivative financial instrument is not designated for hedge accounting or the event that the hedge is ineffective, the fair value of the hedge is recorded on the balance sheet and any changes in fair value are recorded in income.

q) **Capitalized hedge gain or loss**

Prior to the commencement of commercial operations, the Company capitalizes hedging gains or losses in relation to the fair market valuation of its interest rate swaps which have not been designated for hedge accounting.

	2006	2005
Long Lake Project	$ 2,218,717	$ 1,192,587
Other oil sands activities	198,518	75,337
Corporate assets	10,646	4,280
Stock-based compensation	18,929	16,130
Asset retirement cost	6,619	6,464
Capital lease	25,550	8,730
	2,478,979	1,303,528
Accumulated amortization – corporate assets	(1,081)	(668)
	$ 2,477,898	$ 1,302,860

During the year ended December 31, 2006, the Company capitalized $6 million (2005 – $1 million) of general and administrative expenses and $47 million (2005 – $12 million) of interest and bank fees. With the exception of corporate assets, no depletion, depreciation or amortization has been recorded as commercial operations have not commenced.

The Company's long-term debt consists of the following:

	2006	2005
Term Loan B Debt Facility (a)	$ 524,385	$ –
Senior Secured Notes (b)	1,165,300	–
Revolving Credit Facility (c)	–	–
	$ 1,689,685	$ –

a) Term Loan B Debt Facility

The Company has a USD $450 million Term Loan B facility (TLB) which bears interest at a rate of LIBOR plus 2.0 percent. The TLB matures May 17, 2013 with nominal scheduled principal repayments until the end of the term other than a requirement to pre-fund anticipated interest payments until the end of 2008. In connection with this facility, the initial funding was USD $88 million to the interest reserve account which has been reduced by the TLB interest payments during the period. The TLB is collateralized by a first priority security interest on all present and after acquired property of the Company. In connection with this facility, a $300 million bridge facility was arranged and amounts outstanding of $14 million were repaid and the facility cancelled upon the closing of the TLB.

b) Senior Secured Notes

On December 15, 2006, the Company closed USD $1,000 million Senior Secured Notes (Notes) which bears interest at 8.25 percent and matures on December 15, 2014. In connection with the Notes, USD $165 million has been pre-funded to an interest reserve account to fund interest payments until the end of 2008. These Notes are collateralized by a second priority interest on all OPTI's existing and future property. OPTI may redeem up to 35 percent of the Notes prior to December 15, 2009 with net proceeds from certain equity offerings. At any time prior to December 31, 2010, OPTI may redeem the Notes at the principal amount, plus the applicable premium and accrued interest and any time after December 31, 2010 at redemption prices between 104.13 and 100 percent. There was an unutilized $200 million bridge facility arranged which was cancelled upon the closing of the Notes.

c) Revolving Credit Facility

On December 15, 2006, the Company established a $500 million revolving credit facility due December 15, 2011. Amounts drawn under this facility can take the form of prime rate based loans, bankers' acceptances, LIBOR loans or letters of credit. The facility will bear interest at the prime rate, bankers' acceptance rate or at LIBOR plus a spread above the reference rate between 1.0 percent and 2.0 percent per annum. This facility is collateralized by a first priority security interest on all present and after acquired property of the Company. At December 31, 2006, no amounts have been borrowed under this facility.

d) Project Debt Facility

During the year, the Company had a $900 million revolving debt facility which was collateralized by the Company's interest in the Long Lake Project. The facility bore interest at the bankers' acceptance rate plus a spread above this reference rate of 2.0 percent per annum. Borrowings under this facility were to be repaid by June 30, 2010 or earlier. In December 2006, a portion of the net proceeds from the Notes were used to repay amounts outstanding of $484 million and cancel this debt facility.

e) Revolving Debt Facility

During the year, the Company had a $100 million revolving debt facility which was collateralized by the Company's interest in future expansion phases and a second priority charge on the Long Lake Project. This facility bore interest at the bankers' acceptance rate plus a spread above this reference rate of 3.5 percent per annum. Borrowings under this facility were to be repaid by December 31, 2008. A portion of the net proceeds from the TLB were used to repay amounts outstanding of $92 million and cancel this facility.

The provision for income taxes reflects an effective tax rate of 53 percent which differs from the statutory tax rate of 35 percent (2005 – 38 percent).

	2006	2005
Taxes based on book earnings	$ (7,562)	$ 1,086
Tax rate changes	(4,962)	(3)
Resource allowance	486	831
Stock-based compensation	350	214
Large corporation tax	(14)	2,417
Other	–	92
Tax expense (recovery)	$ (11,702)	$ 4,637

Significant components of the Company's future tax liabilities are as follows:

	2006	2005
Book value in excess of tax value	$ 62,492	$ 52,172
Asset retirement obligation	(1,691)	(1,764)
Benefit of share issuance costs	2,896	(7,648)
Losses for income tax purposes	(16,657)	(11,432)
	$ 47,040	$ 31,328

At December 31, 2006, losses for income tax purposes of $3 million, $10 million, $9 million, $16 million and $19 million expire in the years 2009, 2010, 2014, 2015 and 2026, respectively.

The Company's other long-term liabilities consists of the following:

	2006	2005
Interest rate swap (a)	$ 4,826	$ –
Asset retirement obligation (b)	5,832	5,247
Liability portion of preferred shares	–	28,783
	$ 10,658	$ 34,030

a) Interest rate swap

The Company currently has a floating interest rate exposure with respect to its USD $450 million TLB facility. In connection with this facility, the Company entered into a four year floating for fixed interest rate swap on USD $225 million maturing on September 30, 2010. The Company has elected not to designate this interest rate swap as an accounting hedge under Canadian GAAP, and accordingly has fair valued this financial instrument. At December 31, 2006, there is an unrealized $5 million loss recorded on this swap resulting from the fair value calculation.

b) Asset retirement obligation

The Company's obligations with respect to asset retirement relate to reclamation of sites used for construction of facilities and drilling activities. The obligation is recognized in the period in which the obligation is incurred based on the estimated future reclamation cost using a discount rate of 7.2 percent and an inflation rate of 3.0 percent. The total undiscounted future obligation is $38 million.

Continuity of asset retirement obligation		
Present value of obligation at January 1, 2005	$	4,187
New obligations during the year		712
Asset retirement costs incurred		(11)
Accretion expense		359
Present value of obligation at December 31, 2005		5,247
New obligations during the year		155
Asset retirement costs incurred		(22)
Accretion expense		452
Present value of obligation at December 31, 2006	**$**	**5,832**

The Company estimates its obligations related to existing facilities and drilling activities will be settled in periods up to 2028.

a) Authorized

Unlimited number of common shares and preferred shares without nominal or par value.

b) Issued and outstanding

	Thousands of shares (g)	Amount
COMMON SHARES		
Balance January 1, 2005	151,388	$ 1,174,819
Issued for cash – flow-through (c)	2,713	43,600
Stock options exercised	2,675	23,901
Share issue costs		(2,209)
Tax effect on flow-through shares and share issue costs		743
Balance December 31, 2005	156,776	1,240,854
Issued for cash – flow-through (c)	1,770	40,367
Common share options exercised	1,521	17,341
Warrants exercised	67	1,158
Common shares issued upon conversion (f)	12,550	163,266
Share issue costs		(914)
Tax effect on flow-through shares and share issue costs		(14,393)
Balance December 31, 2006 (h)	**172,684**	**$ 1,447,679**
PREFERRED SHARES (e)		
Balance – January 1, 2005	–	$ –
Issued for cash	12,550	185,113
Warrant portion of preferred shares at issuance date		(15,855)
Liability portion of preferred shares at issuance date		(28,476)
Share issue costs		(9,489)
Tax effect on share issue costs		3,190
Balance December 31, 2005	12,550	134,483
Converted to common shares (f)	(12,550)	(134,483)
Balance December 31, 2006	**–**	**$ –**
CALL OBLIGATIONS (d)		
Balance – December 31, 2005 and 2006		**$ (16,664)**
Total Capital Stock – December 31, 2006	**172,684**	**$ 1,431,015**

c) Flow-through Shares

In October 2005, the Company issued 1,563,278 flow-through common shares at a price of $8.58 per share for gross proceeds of $13 million.

In November 2005, the Company issued 1,150,000 flow-through common shares at a price of $26.25 per share for gross proceeds of $30 million.

In November 2006, the Company issued 1,770,500 flow-through common shares at a price of $22.80 per share for gross proceeds of $40 million.

d) Call obligations

The call obligations consist of unconditional and irrevocable call options whereby the Company, at its option, can require a subscription for either a convertible preferred share or a common share for the face amount of the call obligation. The Company can exercise the call obligations at any time until the earlier of completion of the Long Lake Project and June 30, 2008. To date, $202 million of call obligations have been issued. The exercise price per share of the call obligations is $2.20 per share and should OPTI exercise its options, it would result in the issuance of 91.8 million additional common shares and gross proceeds of $202 million.

e) Private placement

In June 2005, by way of a private placement, OPTI issued 12,550,000 Units at a price of $14.75 per Unit for gross proceeds of $185 million. Each Unit was comprised of one half of a purchase warrant (the warrant) and one convertible redeemable non-voting Series C Preferred Share (the preferred share) with a notional dividend at a rate of 5 percent per annum (the dividend). Each full warrant entitled the holder to purchase two common shares for $14.75 each prior to November 30, 2008.

Each of the components of the Unit was classified and measured based on its attributes. The preferred shares were classified as equity as there are no mandatory circumstances where the preferred shares would be settled with cash. The present value of the future dividend over the six year period was initially classified as debt. The warrants are considered equity as they are a derivative instrument related to common shares.

The initial measurement amount of the preferred shares was $141 million which is based upon the convertibility to common shares of the Company. The measurement amount of the warrants was $16 million which is based upon option pricing methodology. The measurement amount of the dividend at the issuance date was $28 million which is based on the present value of the notional dividend payment at the Company's incremental borrowing rate and was classified as a long-term liability.

f) Preferred share conversion

On January 13, 2006, the Company announced its intention to redeem 12,550,000 preferred shares issued in 2005. Effective February 15, 2006, all preferred shares were converted into common shares at which time the total of the book value of the preferred shares and the liability portion of the preferred shares were recorded as common shares.

g) Common share stock split

On April 27, 2006, the Company's shareholders approved an amendment to the Articles of Incorporation to divide the issued and outstanding common shares on a two-for-one basis as of June 1, 2006. The number of shares outstanding, related earnings per share, and outstanding option information has been adjusted retroactively to give effect to the split.

h) Common share options and common share warrants

Common shares outstanding after giving effect to 8,136,138 common share options and 6,208,000 common shares issuable upon exercise of 3,104,000 warrants would be 187,028,442 at December 31, 2006.

i) Outstanding stock options

The Company may grant stock options to executives, certain employees, consultants, and directors as determined by the Board of Directors. The exercise price of each option is the current market price of the Company's common shares at the date of the grant. Vesting rights are determined at the discretion of the Board. Under the Company's plans, options vest at the time of grant or over a five-year period. Options currently outstanding expire at dates between 2009 and 2017.

	Thousands of options	Weighted average exercise price per share	Remaining contractual life (years)
Balance January 1, 2005	10,110	$ 8.85	5.8
Granted	623	11.28	9.2
Cancelled	(75)	10.29	8.2
Exercised	(2,675)	7.73	3.4
Balance December 31, 2005	7,983	9.40	5.6
Granted	1,880	19.54	9.6
Cancelled	(206)	15.00	8.5
Exercised	(1,521)	9.23	3.9
Balance December 31, 2006	**8,136**	**$ 11.69**	**5.7**

	Options outstanding			Exercisable options	
Exercise price range	Thousands of options	Remaining contractual life (years)	Weighted average exercise price	Thousands exercisable	Weighted average exercise price
$3.51 to $5.27	100	4.4	$ 4.85	100	$ 4.85
$5.28 to $7.92	748	5.7	7.00	462	6.84
$7.93 to $11.90	5,446	4.5	9.85	4,294	9.57
$11.91 to $17.87	78	9.2	15.56	6	13.03
$17.88 to $26.82	1,764	9.6	18.95	4	19.56
Balance December 31, 2006	**8,136**	**5.7**	**$ 11.69**	**4,866**	**$ 9.23**

j) Stock-based compensation

During the year ended December 31, 2006, 1,880,100 (2005 – 622,600) common share options were granted which had a total fair value of $13 million (2005 – $2 million). The fair value was calculated at the date of each grant using the following assumptions: a risk free interest rate of 4.1 percent (2005 – 5 percent), a term of ten years (2005 – ten years) and an average volatility of 37 percent (2005 – 30 percent). Stock-based compensation costs for the year ended December 31, 2006 are $3 million (2005 – $2 million), of which $1 million is included in general and administrative expenses (2005 – $1 million) and $2 million is included in PP&E (2005 – $1 million).

OPTI CANADA INC.

The Company's financial instruments are comprised of cash and cash equivalents, short-term investments, the current portion of the interest reserve account, accounts and other receivables, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of the instruments. Financial instruments also include the liability portion of the preferred shares, obligations under capital lease, long-term debt and the long-term portion of the interest reserve account of which the fair value approximates its carrying value as management believes that it could obtain similar financing with similar terms on the open market.

a) Credit risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and short-term investments and accounts receivable. Cash and short-term investments are held with major financial institutions.

b) Foreign currency risk

Foreign currency risk is the risk that a variation in the exchange rate between Canadian and foreign currencies will affect the Company's results. The Company has a USD $450 million TLB facility and a USD $1,000 million Senior Secured Notes.

c) Interest rate risk

The Company is exposed to interest rate risk in relation to interest income earned on cash and short-term investments. In addition the Company is exposed to interest rate cash flow risk to the extent the changes in market rates will impact USD $225 million of the TLB facility and future borrowings under the $500 million revolving credit facility. The Company has entered into a four year floating for fixed interest rate swap on the remaining USD $225 million of the TLB facility.

At December 31, 2006, the total estimated cost at completion of the Long Lake Project is $2.3 billion net to OPTI, of which $0.4 billion remains to be incurred through to the commencement of commercial operations in 2007. OPTI has commitments in connection with contracts and purchase orders of $144 million at December 31, 2006. Commitment amounts are measured within contracts and purchase orders through letters of intent, scheduled work releases and forecast expenditures for labour and equipment utilization. These commitments will be realized in incurred expenditures over time as certain milestones are met, work is completed, or both.

At December 31, 2006, OPTI has entered into transportation agreements that provide for the storage, measurement and transportation of crude oil and other liquids to and from the Long Lake site. Under these lease contracts, the Company has additional estimated commitments of $160 million for periods up to the year 2032. Payments under these leases do not commence until the completion of construction in 2007. In relation to this contract, OPTI has supplied a letter of credit for $6 million which expires in 2007.

At December 31, 2006, in relation to the Project and Phase 2 activities, OPTI and its joint venture partner have supplied irrevocable standby letters of credit issued by major financial institutions, to indemnify them in the event that either party does not perform certain contractual obligations. As at December 31, 2006, the outstanding letters of credit are $54 million which expire in 2007 and contain renewal provisions to the end of 2008.

OPTI Technologies B.V. (OPTI BV) is a shareholder of OPTI and provides seconded employees to the Company. These seconded employees provide technical assistance for project activities. The Company reimburses OPTI BV or its affiliates for the actual cost of all personnel provided to the extent such activities relate to OPTI. This includes salaries, applicable taxes, employee benefits, bonuses and out-of-pocket expenses. In addition, a flat fee is paid in respect of overhead costs. The Company incurred costs of $1 million for these services and fees in 2005.

ORMAT Industries Ltd. (ORMAT), the parent company of OPTI BV, provides engineering services to the Company through ORMAT and its affiliates. The services provided are charged at competitive market rates. The Company incurred costs of $2 million for these services and fees in 2005.

At December 31, 2006, the above were no longer considered related parties.

	2006	2005
Cash taxes paid	$ 1,153	$ 4,093
Cash interest received	9,289	15,410
Non-cash additions to property, plant and equipment	66,653	10,900
Non-cash additions to capital stock	$ 17,978	$ 3,225
Change in non-cash working capital		
Accounts and other receivables	$ (505)	$ 351
Accounts payable and accrued liabilities	28,960	12,991
Net change in non-cash working capital	28,455	13,342
Operating activities	(2,060)	(2,552)
Financing activities	5,553	1,500
Investing activities	24,962	14,394
Net change in non-cash working capital	$ 28,455	$ 13,342

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period.

SID DYKSTRA, President and Chief Executive Officer

– Mr. Dykstra has been the President & Chief Executive Officer of OPTI since June 2001. From June 2000 to March 2001, Mr. Dykstra was the President of Hunt Oil Company of Canada Inc. Mr. Dykstra, a co-founder of Newport Petroleum Corporation, was the President and Chief Operating Officer of Newport from 1997 to 2000, the Executive Vice President of Newport from 1994 to 1997 and the Vice President, Engineering of Newport from 1992 to 1994. From 1980 to 1992, Mr. Dykstra held various positions with Suncor, was the Manager of Exploitation for Pancontinental Oil Ltd. and was an independent consultant with Maranta Resources Ltd.

Mr. Dykstra is currently a Governor of the Canadian Association of Petroleum Producers, as well as a director of Cinch Energy Corp. Mr. Dykstra is a professional engineer in Alberta. He holds a B.Sc. in chemical engineering from the University of Alberta and a M.B.A. from Queen's University.

JAMES ARNOLD, Chief Operating Officer

– Mr. Arnold is presently the Chief Operating Officer of OPTI. Prior to his appointment to this position in October 2005, he was the Vice President, Development of OPTI since January 2000. During 1999, Mr. Arnold was the General Manager and Reservoir Engineering Manager of Canadian Occidental Petroleum's Heavy Oil Business Unit and during 1998 was the General Manager Facilities (Domestic) of Canadian Occidental Petroleum. Mr. Arnold held various positions with Wascana Energy Inc. (formerly Saskoil) from 1982 to 1997, ranging from Development Engineer to General Manager, Deep/Medium Gas Business Unit.

Mr. Arnold is a professional engineer in Alberta. He holds a B.Sc. in mechanical engineering from the University of Manitoba.

MARY BULMER,
Vice President, Human Resources and Corporate Services

– Ms. Bulmer is presently the Vice President, Human Resources and Corporate Services of OPTI. She joined OPTI as a consultant in October 2003 and was promoted to her current position in April 2004. From 2000 to 2002, Ms. Bulmer was the Vice President of Human Resources and Corporate Services, Corporate Officer of Hunt Oil Company of Canada Inc., and from 1992 to 2000, Ms. Bulmer was the Director of Human Resources of Koch Petroleum Canada L.P.

Ms. Bulmer holds a M.Sc. in counselling psychology from the University of Calgary and a B.A. (Honours) from the University of Western Ontario.

PETER DUDA, Vice President, Operations

– Mr. Duda is presently the Vice President, Operations of OPTI. He joined OPTI in 2003 as the General Manager, Upgrader Operations and was promoted to his current position in October 2005. From December 2000 to 2003, Mr. Duda was the Venture Operations Manager of Petrola Hellas S.A. (Greece) and, prior thereto, Mr. Duda held executive and managerial positions with Chevron Canada Limited.

Mr. Duda is a professional engineer in Alberta and British Columbia. Mr. Duda holds a B.A.Sc. in mechanical engineering from the University of Alberta.

JAMEY FITZGIBBON, Vice President, Resource Development

– Mr. Fitzgibbon is currently Vice President, Resource Development of OPTI. Prior thereto he was the Manager, Resource Development at OPTI since July 2002. From August 2000 to July 2002, Mr. Fitzgibbon was a Vice President in Investment Banking at TD Securities Inc. Prior to that, Mr. Fitzgibbon held the position of Heavy Oil Development Manager at Ranger Oil Limited and various technical and managerial positions at Ranger Oil, Elan Energy Inc. and Imperial Oil Limited.

Mr. Fitzgibbon is a professional engineer in Alberta. He holds a B.Sc. in chemical engineering from Queen's University and a M.B.A. from the University of Calgary.

JAMES M. STANFORD, Chairman

– Mr. Stanford is the Chairman of OPTI's Board of Directors. He is the President of Stanford Resource Management Inc., and retired President, Chief Executive Officer and a director of Petro Canada, having held those positions from 1993 to 2000. Mr. Stanford served as the President, Chief Operating Officer and a director of Petro-Canada from 1990 to 1993. Prior to joining Petro-Canada in 1978, Mr. Stanford worked with Mobil Oil Canada Ltd. for 19 years in numerous engineering and managerial positions.

Mr. Stanford sits on the board of directors of EnCana Corporation, NOVA Chemicals Corporation and Kinder Morgan, Inc., and serves as Chair of the Foundation for Sustainable Development Technology Canada. Mr. Stanford also serves on a variety of other industry and community organizations.

Mr. Stanford holds an LL.D. (Honours) and a B.Sc. in petroleum engineering from the University of Alberta and an LL.D. (Honours) and a B.Sc. in mining from Concordia University . In 2004, he was appointed an Officer of the Order of Canada.

SID DYKSTRA, President and Chief Executive Officer

– Mr. Dykstra has been the President & Chief Executive Officer of OPTI since June 2001. From June 2000 to March 2001, Mr. Dykstra was the President of Hunt Oil Company of Canada Inc. Mr. Dykstra, a co-founder of Newport Petroleum Corporation, was the President and Chief Operating Officer of Newport from 1997 to 2000, the Executive Vice President of Newport from 1994 to 1997 and the Vice President, Engineering of Newport from 1992 to 1994. From 1980 to 1992, Mr. Dykstra held various positions with Suncor, was the Manager of Exploitation for Pancontinental Oil Ltd. and was an independent consultant with Maranta Resources Ltd.

Mr. Dykstra is currently a Governor of the Canadian Association of Petroleum Producers, as well as a director of Cinch Energy Corp. Mr. Dykstra is a professional engineer in Alberta. He holds a B.Sc. in chemical engineering from the University of Alberta and a M.B.A. from Queen's University.

YORAM BRONICKI

– Mr. Bronicki, Chief Operating Officer of ORMAT Technologies Inc., was the Vice President, OrCrude™ Upgrading of OPTI from its inception until June 30, 2004. Mr. Bronicki, a co-inventor of the OrCrude™ Process, was a project manager with ORMAT from 1996 to 2000. Mr. Bronicki oversaw and managed the development, design, construction, operations and testing of the one bbl/d OrCrude™ process pilot plant in Israel and the Demonstration Plant near Cold Lake, Alberta.

Mr. Bronicki holds a B.Sc. in mechanical engineering from the Tel Aviv University and a certificate from the Technion Institute of Management Senior Executives Program.

GEOFFREY CUMMING

– Mr. Cumming is Vice Chairman of Gardiner Group Capital Limited of Toronto, Ontario and Deputy Chairman of Emerald Capital Limited of Auckland, New Zealand; both are private international investment companies. In addition, he sits on the board of directors of Cyries Energy Inc. of Calgary Western Oil Sands Inc. and The New Zealand Refining Company. He was formerly President and Chief Executive Officer of Gardiner Oil and Gas Limited, a publicly traded Canadian petroleum company. He is a past Governor of the Canadian Association of Petroleum Producers and a past Chairman of the New Zealand branch of the Young Presidents Organization.

Mr. Cumming holds a B.A. in economics (Honours) from the University of Calgary and a M.Sc. in economics from the London School of Economics.

IAN DELANEY

– Mr. Delaney has been the Executive Chairman of Sherritt International Corporation of Toronto, Ontario, since 1995. From 1990 to 1995, Mr. Delaney was the Chairman and Chief Executive Officer of Viridian Inc., a fertilizer company (formerly Sherritt Inc.) acquired by Agrium Inc. in 1996. He was President and CEO of The Horsham Corporation, a holding company, from 1987 to 1990; and President and Chief Operating Officer of Merrill Lynch Canada, a financial management and advisory company, from 1984 to 1987.

Mr. Delaney is a director of EnCana Corporation; a director and Chairman of Dynatec Corporation, a mining company; a director and Chairman of The Westaim Corporation, a technology investment company; and is also a trustee and Chairman of Royal Utilities Income Fund, a coal mining investments company. He has previously served on a number of boards, including Co-Steel Inc., MacMillan Bloedel Ltd., and GoldCorp Inc.

CHARLES DUNLAP

– Mr. Dunlap is currently the Chief Executive Officer,and President of Pasadena Refining System Inc., operator of a Houston, Texas-based refinery producing gasoline and diesel fuels with revenues of $2.6 billion in 2006. Mr. Dunlap has served on the Board of Directors of various publicly traded companies over the past 14 years.

Prior to joining Pasadena Refining, Mr. Dunlap's career included over 30 years of senior management experience, predominantly in the petroleum industry, including executive positions with Crown Central Petroleum Corporation, Pacific Resources Inc., Arco Petroleum Products Company, and Clark Oil & Refining Corporation. Mr. Dunlap holds a juris doctor degree from the Saint Louis University School of Law and an undergraduate degree from Rockhurst College.

DON GARNER

– Mr. Garner has been the President and Chief Executive Officer of PrimeWest Energy Inc. since January 2003 and prior thereto, President and Chief Operating Officer of PrimeWest Energy Inc. from June 2001. From 1998 to 2001, Mr. Garner was the President and Chief Operating Officer of Northstar Energy Corporation. Prior to 1998, Mr. Garner spent 19 years with Imperial Oil in various capacities, most recently the executive responsible for the Oil Sands Business Unit, a member of Imperial Oil's Executive Leadership Board and a director of Syncrude Canada Limited.

Mr. Garner is a director of North Peace Energy, a public company.

RANDALL GOLDSTEIN

– Mr. Goldstein is currently Co-CEO of OptiSolar Inc. Previously he was the President of ORMAT Process Technologies, Inc., part of the ORMAT Group of Companies. He is co-founder of OPTI Canada and a co-inventor of the OrCrude™ process.

Mr. Goldstein was a co-founder of National Power Company and held the position of Chief Financial Officer of that company from 1991 to 1994. National Power Company is a developer of independent power projects using low value opportunity fuels. Mr. Goldstein was employed by the Harbert Power Group from 1987 to 1991 as Manager of Project Finance. In that capacity he was responsible for business development and financing of independent power projects, including a number of projects fuelled by petroleum coke. Prior to that, Mr. Goldstein was employed by ORMAT Energy Systems Inc. as Manager of Project Finance, responsible for the financing of geothermal power plants.

Mr. Goldstein holds a B.A. in economics from the University of California, Berkeley and a M.Sc. in energy management and policy from the University of Pennsylvania.

ROBERT PUCHNIAK

– Mr. Puchniak has been the Executive Vice President and Chief Financial Officer of James Richardson & Sons, Limited, an investment and holding corporation, since March 2001 and prior thereto, was Vice President, Finance and Investment with James Richardson & Sons, Limited since November 1996. Mr. Puchniak was President and Chief Executive Officer of Tundra Oil & Gas Limited, a private oil and gas corporation, from January 1989 to April 2003.

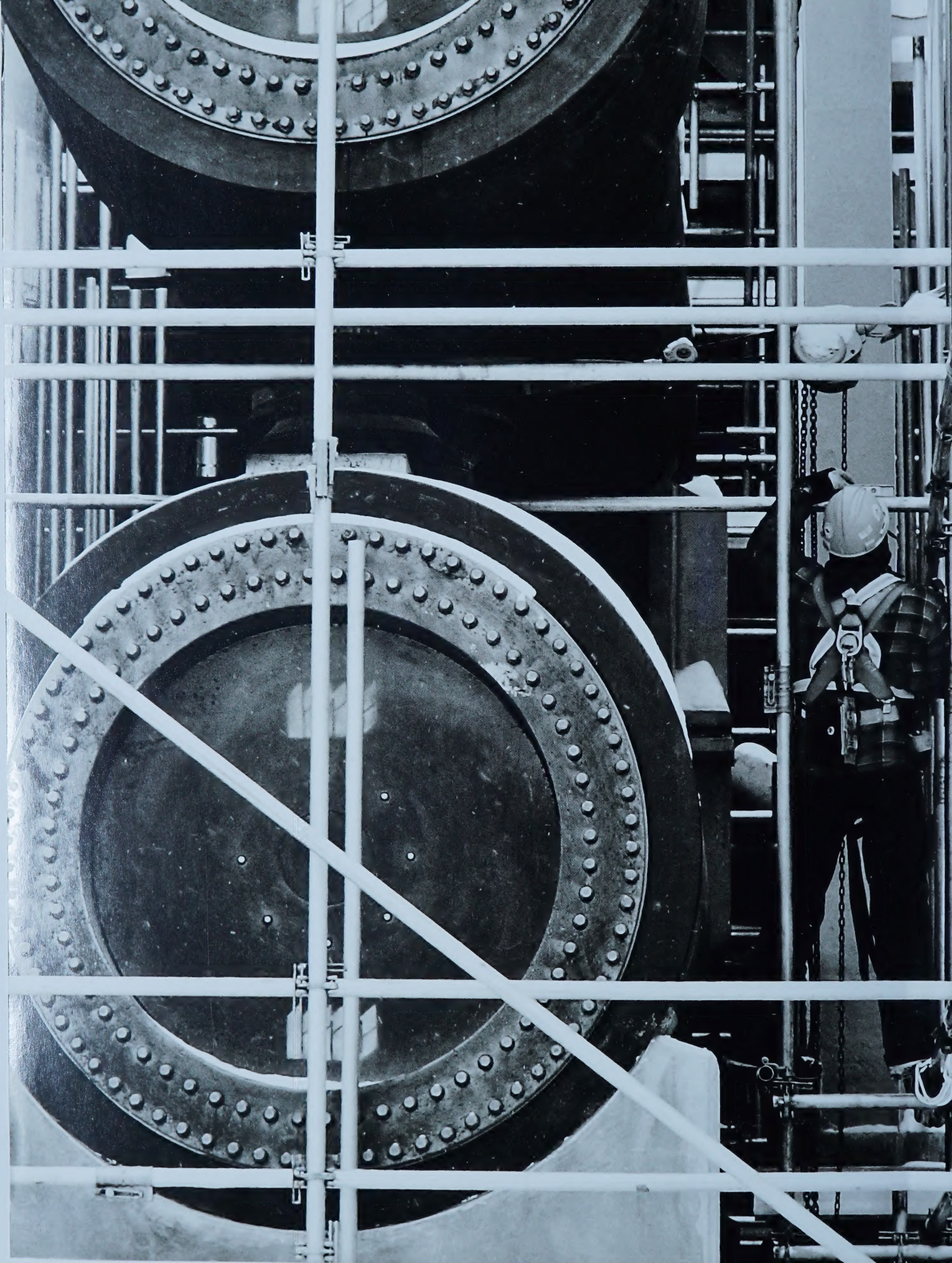
Mr. Puchniak is a director of a number of public and private corporations including James Richardson International Limited, Western Oil Sands Inc., Tundra Oil & Gas Limited, Trident Resources Corp., Richardson Partners Financial Limited, Petrobank Energy and Resources Ltd., Strad Energy Services Ltd. and Lombard Realty Limited. His past involvements include Director, Moffat Communications Limited and Richland Petroleum Corporation; Chairman, Manitoba Teachers' Retirement Fund; Chairman, Council of Examiners, Institute of Chartered Financial Analysts; and President, Winnipeg Society of Financial Analysts.

Mr. Puchniak holds a B.Comm. (Honours) degree from the University of Manitoba and was awarded the University Gold Medal for his achievements. He earned a Chartered Financial Analyst designation in 1975.

CHRISTOPHER SLUBICKI

– Mr. Slubicki was one of the founders of Waterous & Co., a private global oil and gas investment banking firm, where he was involved in all aspects of the firm's strategic development as Senior Managing Director and Principal. Waterous & Co. was sold to The Bank of Nova Scotia in 2005. Prior to the founding of Waterous, Mr. Slubicki held operations management and engineering positions within the oil and gas industry including Placer CEGO Petroleum Ltd. and Chevron Canada Resources Limited.

Mr. Slubicki holds a Masters of Business Administration from the University of Calgary, a B.Sc. in Mechanical Engineering from Queen's University at Kingston, and is a professional engineer in Alberta.



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For more information about OPTI Canada Inc. and the Long Lake Project, please visit these websites:

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ANNUAL MEETING OF SHAREHOLDERS

April 27, 2007
10:00 a.m.
The Metropolitan Conference Centre
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Calgary, Alberta
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